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THE OUTLOOK

Effect of Reduction in Steel and Copper Prices—Why Commodity Prices Fall—Money Rates in 1919—The Railroads—The Market Prospect

WHILE the general drift of prices has been indeterminate during the past two weeks, no heavy liquidation has appeared. As will be seen from our new department on "Trade Tendencies," there is a great deal of confusion of thought in manufacturing and mercantile circles, with a general expectation of lower prices in many lines. When this widespread sentiment is taken in connection with the continued uncertainty as to what will be done with the railroads, it is not unnatural that the stock market should fail to show any general strength.

The surprising thing, to most people, is the stubborn resistance which prices offer against further decline. There are frequent evidences of investment accumulation in various individual issues, and even in those stocks most directly affected by industrial uncertainties, declines have been by no means severe.

Steel and Copper

STEEL prices, from Jan. 1, will be about 5% below the Government fixed price which has prevailed for so long. The average for eight principal products will be $70.95 per ton, which compares with a high of $119.69 in July 1917, and an average of $36.49 for 1913, the last year of peace. While producers will endeavor to maintain the level thus tentatively understood, there are already reports that steel can be bought considerably below that level. Export prices can now be agreed upon under the law, but no actual agreement on domestic prices is allowable.

Copper at 23 cents a pound will be about 12 cents lower than the highest point reached and 8 cents above the 1913 level. The same situation exists as in steel—rumors of offers below the 23-cent level.

We have almost lost our bearings in regard to metal prices during the last four years, and that is one of the principal reasons for the confusion that exists in trade circles. Going back to 1913, before the influence of the war began to be felt, we find that prices compare as follows with those now in force: Average of eight principal steel products, 93% higher; copper metal, 51% higher; pig iron (on which no reduction of prices has yet taken place), about 150% higher. Even at this price, pig iron is over $12 a ton below the $50 level which prevailed just before prices were fixed by the Government.

There is a surprising variation in the degree of advance above the 1913 peace basis, and it seems hardly possibly that pig iron can long be maintained at a price relatively so much higher than that of steel or copper. But since producers are sold ahead for about six months, there is little immediate inducement for reductions.

The point, however, that trade authorities as a rule fail to fully appreciate, is that all prices are up together, and our supply of money and credit is up along with them. For example, turning to Bradstreet's index of about 100 commodities, we note that on Dec. 1 it was 107% higher than the average for 1913. Steel, therefore, in spite of its high price, is still relatively cheaper than most other things, and copper is up only half as much as the average of other commodities.

Not only that, but as shown in an article in this issue, European prices have risen even more than American, so that we can meet foreign competition on a better basis than before the war—or at least we could do so if ships were available for general foreign trade. As to neutral countries, statistics showing their general price level are not obtainable, but it is probable that their prices have not risen as much as ours and that they will be unwilling to pay present prices for our steel and copper until they become satisfied that our price level has become fairly permanent.

Why Commodity Prices Fall

THE natural question is, Under such conditions, why do steel and copper fall? The principal reason is because everybody looks upon present prices as high and therefore temporary. Buyers hold off waiting for a better bargain.

But this waiting attitude cannot be maintained indefinitely. Stocks of goods of all kinds are low. In many lines there is actual scarcity. In other lines there are moderate accumulations held by the Government, as in woolen, where important auction sales are to be held. But in general, the supply of goods throughout the United States and even the world is low.

While prices show a tendency to fall, buyers will purchase as lightly as possible; but once prices become stationary or show a disposition to rally, demand must come forward because of the actual limitations of supply.

Another question is, If steel and copper are relatively lower than other commodities, why do steel and copper fall first? Why do not other prices come down to the level of steel and copper?

This is because steel and copper are pre-eminently the materials of new construction, and new construction, now that war work is drawing to a close, is very small in all directions. The readjustment to a peace basis will extend over the gap between war work and the resumption of constructive enterprise on a large scale for peace purposes. During that period some further reductions in steel and copper prices may occur, but we believe those who are looking for demoralized markets will find their expectations disappointed.

Some theorists are asserting that prices generally should be lowered at once to the point where new buying comes in, on the principle that readjustment will be less painful if performed at one jerk, like pulling a tooth. Others believe that prices should not be permitted to fall until we are again on a basis of peace production; that even further inflation would be better than immediate deflation, which always has a depressing influence.

It is unfortunate for the country, doubtless, that neither side will have its way. Where prices are falling at all, they are receding gradually and in an orderly manner. The natural development of economic conditions can now be trusted to take care of this matter of prices without serious disturbance, and in view of the degree to which prices were kept down during the war by the policy of Government fixation, we do not look for any serious general decline in 1919.

Money Rates in 1919

SO long as our currency continues to be inflated by the great volume of Federal Reserve notes now outstanding through the discounting of Government war paper, money is likely to work easier—at any rate up to the time of the next Liberty Loan. Discounts on Government obligations were $1,400,000,000 last week, which was an increase of $100,000,000 over the previous week but was still somewhat below the highest point reached.

The gradual reduction of these discounts is the real peace problem. It is difficult to see how they can be cut down while new Treasury certificates are being steadily placed with the banks in large volume, as at present. The next Liberty Loan, in theory at least, should refund some of these bank credits into the form of permanent investments, and the remainder will be gradually transformed into that form by the accumulated savings of the people.

But this is likely to take a long time. In the flotation of the next loan patriotism, while still an element, will not be such a mighty influence as in past loans. The present market prices of the previous loans show plainly that the Government will hereafter have

to compete in the market for capital on the basis, for the most part, of investment yield as compared with other classes of securities.

In addition we may expect, now that the restrictions on new capital issues have been removed, that corporations will be entering the market to secure new capital in much larger volume than in 1918. The Pennsylvania R. R. has already led the way by a sale of long term bonds on a 5% basis. These were quickly snapped up, and that fact will encourage other corporations to follow the example set.

In a word, since the war has crowded the corporations almost entirely out of the capital market for nearly two years, there is normally a big demand for new capital lying dormant which is ready to come forward just as soon as conditions permit. Under these circumstances the country's new savings will find a wide choice of opportunities for investment, and will not flow exclusively into the next Liberty Loan. And it will therefore be difficult to reduce immediately the extent of borrowing on past or future issues of Government paper, or to cut down the total of the outstanding Federal Reserve notes based on such paper.

The outlook for money in 1919 is therefore very much mixed. On the one hand, abundant new security issues, Government and other, will tend to absorb investment capital and prevent rates from falling; on the other, the large volume of Federal notes in circulation (which apparently can be reduced only very gradually), the January interest disbursements and the constant receipt of important interest payments from foreign countries on their bonds and notes owned here, the release of capital from war industries, and doubtless some release of capital from general business uses also, because of dullness in some lines, will tend to maintain the supply of capital for new investment and will therefore work towards easier rates.

At the moment the latter group of influences is the stronger, as is shown by the fall of about ¾ of 1% in time money rates at New York, and we look for a continuance of these easier rates during the next two months; but we do not see the prospect for genuinely low rates for the first half of 1919, and probably not in the last half.

The Railroads

IT is useless to comment at length of the railroad outlook until some definite plan is evolved for their future. Leading interests are now at work upon such a plan. It remains to be seen what reception it will meet from Congress and from the country at large.

The uncertainty has naturally had some adverse effect upon the prices of railroad securities. We believe, however, that in the end the roads will be fairly dealt with. Their necessities and their importance to the country are too evident to be ignored. Those who sacrifice their railroad stocks because the future cannot now be definitely foreseen are taking counsel of timidity and we very much doubt whether their action will prove to have been wise when the railroad situation has finally been adjusted.

The Market Prospect

TAKING the market as a whole, the quality of the buying is much better than the quality of the selling. Stocks are being sold by those who fear the immediate effects of readjustment to a peace basis, of the sharp decline in the net earnings of most of the railroads and many public utilities, and of delay and uncertainty in the disposition of the railroad question by Congress. Stocks are being bought by larger investment interests, who are looking beyond present conditions, which they believe to be temporary.

The restriction on Stock Exchange loans is not now an important factor, since liquidation in various issues has reduced loans from natural causes. There is a good deal of difference in the market position of different issues. Some offer a resistance to liquidation which warrants immediate purchases. Others may yet seek a somewhat lower level before the turning point is reached.

Those who wish to obtain our views more frequently are referred to page 13a of our advertising section.

December 30, 1918.

Looking Ahead

Light Thrown on the Confused Business and Investment Situation by International Price Relations and Trade—Our Present Position in the "Major Cycle"—A Prosperity Era Still Ahead

By G. C. SELDEN

PEACE finds the investment and business world not quite so thoroughly stupified as when the war broke in 1914. Nevertheless our financial leaders, our professors of economics and our students of trade tendencies have, as usual, a good deal of difficulty in reaching any agreement as to what is to come.

There is a pretty general notion that the world will have to pay for its wild war "jag" by a very head-achy morning-after depression. But there is no sort of harmony as to when this depression will arrive.

Some think it is close upon us. In the cut in steel and automobile prices, the discharge of war workers, the coming wool auctions and so on, they already feel the clammy touch of the chill hand of adversity.

Others would wait a year or so, until the world's bare shelves are again stocked up with goods and until the "pauper labor of Europe," now more thoroughly pauperized than ever, begins once again to make goods for next to nothing and force them upon our unwilling and declining markets.

Still others, with an eye on the panic of 1873, which waited eight years after the end of the Civil War before it descended upon us like a long-deferred thunder-clap of vengeance, predict that a brief period of readjustment will be followed by several years of great prosperity, but that "eventually" we must undergo a severe and prolonged depression. Since "eventually" is a long time and allows the prophet that ample lee-way which has always been characteristic of prophecies from the Delphic oracle to the kimonoed fortune teller of today, it would not be surprising if this third group of soothsayers should prove to be right.

Cause of the Trade Cycle

Hardly anyone, I suppose, will now question the reality of the "Major Cycle" of prosperity and depression. "There is a tide in the affairs of men" which ebbs and flows with a truly astonishing regularity. Panic, depression, low prices, improvement, great activity, high prices, boom, wane and panic again, succeed each other over a swing so long that a new business generation is to the fore by the time the cycle is completed.

These cycles are commonly marked off by the panics with which they may, in a sense, be said to end. Such "major panics" came in 1837, 1857, 1873, 1893 and 1914—two intervals of 20 years, one of 16 years (speeded up, it is to be presumed, by the wild inflation of the Civil War), and the last of 21 years, which might perhaps have ended in 1913 had it not been for the Kaiser-made cataclysm.

What, then, is the cause of the cycle? What has it to say for itself when haled before the judge to show cause why it should not be thrown out of court?

Judge: "Have you any real existence or are you merely a pretty theory?"

Cycle: "I point to my historical record."

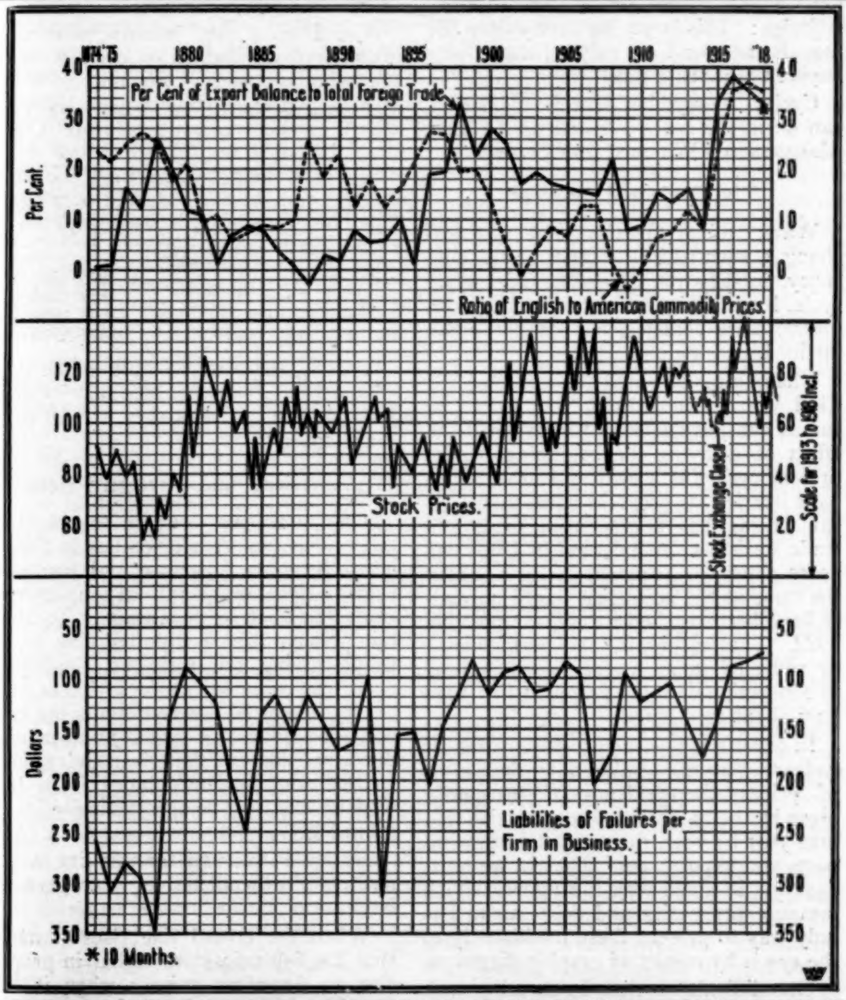
Judge: "What is the cause of you?"

Cycle: "It is usually stated to be the accumulation and dissipation of capital. During a period of depression people become cautious and save their money. Thus capital accumulates and flows into the channels of trade creating a growing activity. But as people become prosperous they gradually forget their caution and spend freely, until the supply of capital becomes depleted. Little by little this pulls the underpinning out from under the structure of prosperity until at last

it collapses in panic. Then I start over again."

Judge: "But why do people behave in that silly manner? Why does not capital accumulate by a steady and gradual growth, without these unpleasant interruptions?"

so far as I know, in 1902, was then labeled the "effort to anticipate." When prices are rising everybody tries to buy ahead of his needs, thus causing prices to keep on rising; and when prices fall, everybody tries to sell out ahead of the other fellow. We all know that this happens



in speculative markets. But it also happens in all other markets, and in connection with practically everything that is bought and sold.

Cycle: "You are right in supposing that, since cycles result from saving and spending, their ultimate cause must be sought in the minds of men. There are two human characteristics which, working together, produce the Major Cycle. One of them, first, definitely identified,

"The other fundamental cause is our universal habit of measuring our prosperity in terms of money—not in what the

money will buy. When the purchasing power of the dollar falls we find ourselves with more dollars, feel rich, and spend freely. When the dollar rises we have fewer dollars, feel poor, and try hard to save—although our fewer dollars will buy just as much goods as the more dollars would buy previously."

Judge: "This is getting pretty deep for me. Remember I am only a judge. Don't expect too much of me."

Cycle: "Sorry, but that is the best I can do in the space allowed me by THE MAGAZINE OF WALL STREET."

The Cycle and the War

Wars, minor panics and political changes, such as in the tariff or the currency, modify the course of the major cycle, lengthen it or shorten it and cause intermediate changes, but do not break up its broad swing.

I have already noted the effect of the Civil War. The present war seems, so far as can now be told, to have had the effect of delaying the beginning of the present cycle for a year and probably to have hurried its progress since then. So far as can be judged from price and trade statistics, our position in 1919, five years after the panic of 1914, is about the same as the point that might normally have been reached in 1921 or possibly 1922. The reasons for this conclusion—or some of them, at least—will appear in connection with the graphs which I am now about to discuss.

In order to show the progress of major cycles we naturally fall back on the course of prices, the evidence of prosperity given by the liabilities of commercial failures year by year, the amount of our imports and exports, etc. That is, we must examine in some way the figures which measure prosperity and depression. The only way to present these intelligently to the eye is by means of graphic diagrams.

One difficulty is that, in covering such a long period of years, the great growth of trade as a result of the development of the country obscures the trend of the cycle. In the graph herewith I have obviated that difficulty for the most part.

In foreign trade, for example, our exports have risen since 1874 from almost nothing to a tremendous total. I therefore show, not our actual export balance, but the per cent of that balance to the total of our exports and imports combined—that is, to our total foreign trade. This gives us a corresponding relationship for each year.

The line of our export balance so shown reflects the major cycle with remarkable clearness. Starting with extremely depressed conditions in 1874, our export balance made a great leap to 1878, then dwindled until 1888, rallied for a few years, and reacted in 1895, from which point the cycle started over again. The correspondence is so remarkable as to be worth tabulating:

Depression	**1875–1895–1914**
Highest Point	**1878–1898–1916**
Lowest Point	**1888–1909**
Rally	**1894–1913**

That is, these four points in the cycle have occurred with such regularity since 1874 that in all cases they are 18 to 21 years apart.

American and Foreign Prices

The immediate cause in the rise and fall of our export balance lies in the relation between American and European prices—since nearly all of our foreign trade has been with Europe. To show this, I have added a dotted line to the graph giving the ratio of English to American commodity prices. To be more exact, the dotted line represents the London "Economist's" index number dividend by Falkner's American index down to 1889 and by Dun's index from 1889 to date—the two being practically identical in 1889.

No scale is shown for this line, as the figures represent nothing except a relation.

When the dotted line rises it means that English prices are higher in proportion to American prices; when it falls English prices are lower in comparison with American.

Commodity prices are influenced by a wide variety of causes. Nevertheless it will be seen that this price relation also marks off the major cycle with consider-

able regularity. In fact, it could not be otherwise. When our prices are relatively low in comparison with European prices foreigners naturally buy more goods from us and sell less to us. So our excess of exports over imports increases. And when our prices rise in comparison with theirs, we necessarily sell them less and tend to buy more from them, so our export balance falls or even turns into an import balance.

The Cycle in Stock Prices

As of the greatest interest to the investor, we next show the general course of stock prices. The line from 1874 to 1902 is the 20-rail average compiled by Henry Hall; from 1903 to 1912 it is the Dow-Jones' 20-rail average—the two having been nearly the same in 1902-3. Since 1913 the rails alone fail to give an adequate idea of the market, because of the great prominence of industrials together with adverse legislative conditions for the rails. For the later years, therefore, I have used the *Times'* average of 50 rails and industrials, which makes necessary a change of scale. As a whole the line fairly represents the broad swings of the market.

The swing of the major cycle is plainly visible in stock prices, but we note that from time to time it is interrupted by temporary panics, as in 1884, 1890, 1903 and 1907. All of these except 1903 were due to "tight money," a trouble which will be much less acute in future because of our improved bank system. The 1903 panic was due to excessive issue of new securities—"undigested securities," as the elder Morgan put it.

It will be seen that the swing of stock prices is constantly several years behind that of our export balance. This makes the comparison especially valuable—since most statistics follow stocks instead of leading them.

Industrial Prosperity

Changes in the degree of prosperity of general business may be shown in several ways, but the most satisfactory for such a long period as here covered is found in the liabilities of business failures. When trade is depressed more business men fail; when it is booming fewer fail.

I have eliminated the element of growth in this case by taking, not the aggregate liabilities for each year, but the liabilities per firm in business—that is, I have divided the total liabilities each year by the approximate number of firms in business in that year. This has apparently never been worked out before. To make the line correspond with the other lines on the diagram, the scale is reversed—since the fewest failures show the greatest prosperity and an increase in failures shows trade depression.

We see at once from this line that there has been a steady growth in the stability of American business. In 1877 liabilities of failures amounted to over $340 for every firm in business; in 1893 to $313; in the panic of 1907 to a little over $200; and in 1914 to only $164.

While this line shows more irregularities than the others, it neverthless indicates plainly the progress of the major cycle.

The Present Outlook

With this understanding of the main features of the cycle we are prepared to locate, as nearly as possible, our present position and thus to judge in a broad way what is to come.

The ratio of English prices to American is higher now than ever before, but there is a slight drop from 1917 to 1918. And our export balance reached its highest point in 1916. There is no reason to doubt that this corresponds roughly to the high points of 1878 and 1898—and those years, it will be seen, in each case preceded a great boom in stocks, lasting in the first instance until 1881, or three years, and in the second case until 1901, again three years.

Moreover, generally prosperous investment and business conditions continued for 14 years after 1878 and for 12 years after 1898. Prosperity was not continuous during these periods. It was interrupted by minor depressions, notably in 1884 and in 1907-8, but they were not of long duration.

Next, what are the differences in our present position as compared with these similar periods in the past?

First, foreign prices are higher com-

pared with ours. This greater disparity is partly due to interference with ocean transportation and partly to the fact that Europe's issues of paper currency and expansion of credit during the war have been greater than ours. As these conditions are gradually modified it is highly probable that foreign prices will fall as compared with ours, in a manner roughly similar to preceding cycles. In the meantime this condition is favorable to the maintenance of our balance of exports over imports.

Although our export balance has already begun to fall and will doubtless continue to do so, it is still very high; and in view of the great requirements of both neutral and belligerent nations, there is no reason apparent why it should fall any faster from 1918 to 1924 than it fell from 1900 to 1906.

Coming to stock prices, we have seen that 1918 apparently corresponds as nearly as can be estimated to 1880 and 1900; that is, the violent stimulus of the war has hastened the progress of the cycle by about two years. All of the lines on the graph indicate that. If this assumption is correct, 1919 will correspond to 1881 and 1901, both years of active markets at relatively high prices.

On the other hand, our markets have been depressed by big sales of Government bonds and are still held in leash by credit restrictions. Prices of our railroad stocks especially are relatively much lower than in the corresponding years just mentioned—they look more like 1878 and 1898. It is the high prices of industrial stocks, where in many cases big assets have been built up during the war, that raise the general average to a higher level.

There is one important bullish factor on investments now that did not exist in previous cycles—in fact, it was then a bearish factor—and that is the big balance of interest payments due us from Europe every year. Heretofore we have been paying interest to Europe; now we are to receive it, and in larger amounts than we ever paid. This is bound to have a very important effect on our investment markets.

I have endeavored to present the facts as comprehensively and impartially as possible in a limited space. My own conclusion is that we have ahead of us at least half a dozen years of generally prosperous investment and trade conditions—interrupted, as usual, by temporary periods of dullness, but without serious or prolonged depression.

WORLD CHARTER FOR CORPORATIONS

"While the world is so palpably in a state of flux, why not also maintain our capital in a liquid state? Why not, by an authorized type of international commercial corporation provide a safe and convenient channel directed to those places where that capital is most required?"

This is a suggestion made by Richard S. Harvey, the well-known law text book writer of Washington, D. C.

Mr. Harvey suggests that foreign business be conducted through international corporations, which shall have one or more representatives on the board of directors in each country where it is desired to do business. This representation will assure to local interests in each country full information as to what is transpiring, and will with equal certainty maintain local right to urge argument and press policies upon the consideration of the management.

Each company, says he, shall be empowered to do business upon equal terms with domestic companies in one or more foreign countries upon compliance with certain requirements corresponding broadly to those contained in the general corporation laws in force in all, or nearly all, of the States.

He states that to permit the filing of duplicate incorporation papers in certain specified countries, with right to do business and to receive treatment as a domestic corporation in each of these countries, is only an extension of principles recognized as practical and actually applied in matters pertaining to trade-mark and copyright law.

Leading Opinions

About Financial, Investment, Banking and Business Conditions

"Protect American Industries"—E. H. Gary

The United States is entering on an era of unprecedented prosperity and progress, the extent of which no person can safely predict, according to Judge Elbert H. Gary, Chairman of the United States Steel Corporation, whose article in the January number of *System* headed "And Now Peace" is bristling with optimism on the business outlook.

Judge Gary makes a plea for ample protection to American industries as a proper safeguard to the future prosperity of the country. With wages so low abroad he feels that it is essential to protect the American business man. On this subject Judge Gary writes:

"There should be included in the laws features which will furnish reasonable and adequate protection to American industries and also revenue for governmental purposes, a plan for reciprocity or reciprocal negotiations and relations with other countries, so that all conditions, changes, and emergencies can be met and solved for the benefit of all concerned, and the amounts of the tariffs applicable to various commodities should be carefully, logically, and scientifically ascertained, and necessary fair and reasonable protection—no more, no less—thus afforded.

"When our competitors in other leading countries are ready to adopt the laws of free trade for our commodities, then will be soon enough for us to consider similar action favorably. If we were to have free trade throughout the world we could probably take care of ourselves in any contest for the disposal of what we have for sale."

"Secure Future for Automobile"—J. N. Willys

"An analysis of the trend of events gives me every reason to be optimistic about the future of the motor industry," says John N. Willys, president of the Willys-Overland Autmobile Co., to the *Boston Commercial.*

"My conception of the automobile has always been that of a unit of individual transportation. War conditions found the automobile at its best in supplementing the efforts of millions of men as an aid to personal efficiency. While material conditions during the war served to temper the mettle of manufacturers and dealers, the motor car was unreservedly accorded definite recognition in the world's business as a cog in the vast machinery of transportation.

"For the reconstruction work of the world, thousands of cars and trucks will have to be supplied by America to Europe until manufacturers over there can produce enough for their own needs.

"In the transition period we are now encountering, the most favorable and speedy return to peace-time production can not be accomplished for some months, but the process of change is now well under way.

"There is opportunity just ahead for the automobile manufacturer. The motor car is now viewed in a new light as a time-saver, a new economic force, and it will take its place on a much larger scale in the business world.

"The big job for the manufacturer will be to

New York *Tribune*

HE'LL BE ALL RIGHT AS SOON AS HE COLLECTS HIMSELF

apply the new experiences gained in war-time to the production of automobiles in peace-time, to meet the increased demand that will surely exist."

Capital Issues Committee Suspends Activities

Legislation to prevent the sale of worthless and fraudulent securities is required immediately to safeguard the public against enormous losses, Chas. S. Hamlin, chairman of the Capital Issues Committee, declared in a state-

ment announcing that the committee, which has controlled the sale of securities during the war, would suspend operation December 31.

In warning the public against reckless and fraudulent promoters Chairman Hamlin disclosed the fact that "schools are being established in some parts of the country to drill salesmen in the art of persuading investors to subscribe to unmeritorious or worthless securities." He said it is the intention of the committee to recommend to Congress a law to prevent these abuses.

Secretary of the Treasury Glass, commenting on the decision of the Capital Issues Committee to suspend operations, also emphasized

Sat. Eve. Post

THE NEXT "BACK TO THE LAND" MOVEMENT

the importance of legislation to protect the public against unscrupulous promoters

"I intend to ask Congress immediately for legislation that will check the traffic in worthless securities," Secretary Glass said.

Charles S. Hamlin, chairman, made this statement for the committee:

"In view of the rapid changes that have taken place since the signing of the armstice, the Capital Issues Committee has voted to suspend its activities on December 31.

"The committee will not be dissolved, but will remain inactive, unless it is found that the sale of new securities competes unduly with government financing, or for other reasons it may become desirable for the committee to resume its work pending its dissolution by the President or by operation of law."

"Must Protect Oil Pioneers"—E. L. Doheny

"The Government should continue to lend its influences to the protection of these pioneers and developers whose discoveries result in adding to the world's supply of fuel and lubricants, that most staple of all staples which has been credited by such high authorities with such great value in war, and which through the mechanical genius of our great manufacturers will be made a means of more economically than ever producing and transporting the needs of those who have survived the great conflict," said E. L. Doheny in an interview with a representative of *Dow Jones & Co.*

"As a whole, the future outlook for petroleum holds nothing but promise of prosperity to those engaged in the industry. I think the public at large has no cause for feeling over-anxious as to whether or not the supply will be sufficient to meet the increasing and new demands. While the supply from the United States' fields probably could not be increased to meet a much greater demand than now exists, it is reasonably certain that many new and extensive oil areas will be developed within the boundaries of the United States, and that when the price and the cost of production taken together will justify, an immense new source of supply may be developed in the oil-containing sands and shales that do not yield their content by gravity, but will need to be mined and treated as are ores in order to extract their petroleum content."

"There are many promising undeveloped oil areas in the country to the south of us; Mexico, as is well-known, having within its boundaries the most prolific fields not yet developed whose potential capacity is at least temporarily greater than that of the United States. The Mexican supply can be, and probably will be made available at a much greater annual rate than at present by the building of additional pipe lines to the coast, and the provision of sufficient tanker capacity to transport the same to the markets. To the south of Mexico there are many countries that have promising indications of petroleum, and in some of them, notably Peru, Ecuador, Colombia and Venezuela, substantial developments have already been made which to the initiated brings the conviction that the development of the use of petroleum will not outstrip the supply for many generations."

Reserve Board Warns Against Inflation

American bankers hereafter will be

the world's bankers. Their services, with the return of peace, lie in financing movements of consumable goods to foreign countries, according to an analysis of the world's financial problems by the Federal Reserve Board. This program, the board indicates in its December bulletin, opens a new era in international finance.

To the end that this nation's banks may aid the world in supplying materials for food and for reconstruction, the board warns against "expansion of credit too far and, so far as practicable, the reduction of credit which already exists, as advisable."

The Board warns that inflation must be considered a continuous menace. Conditions brought about by long-term loans, granted by banks because of the belief that such action was a patriotic assistance to the Treasury, constitute a danger which must be reckoned with, the Board said. It was explained that while these loans will be liquidated without difficulty it is not advisable to make more of them because of the probable decline in prices. Industrial loans should be of a character not easily disturbed by any change in prices.

The Board summarizes the Nation's business conditions as "very satisfactory." In some sections there is a hesitancy in going ahead with construction and expansion of industry. This, however, is offset by an increase in retail business. Preparations are being made in every Federal Reserve District, reports show, for unprecedented business activities. There is a genuine shortage of labor throughout the country, according to the report.

Secretary Glass Calls For Continued Thrift

Secretary Glass has issued a statement to the American people calling for continued co-operation in meeting the financial requirements of the Government and urging that the habits of thrift, acquired in the war period, suffer no change at this time.

He asked that the organizations of patriotic men and women, who gave their services for the sale of Liberty bonds and War Savings Certificates be held together, and urged that no one dispose of Liberty bonds except under the spur of necessity.

In part his statement says:

"It is vitally important that the Treasury should continue in a most energetic way the sale of War Savings Stamps and Certificates. Among the valuable and much needed lessons we have partly learned from the war is that of thrift and intelligent expenditure. Thrift helped to win the war and will help us to take full advantage of a victorious peace. It is, therefore, imperative that we do not relax into old habits of wasteful expenditure and imperative that the habit of reasonable living, (on the part of those of both large and small means,) so easily acquired during the war period, be continued.

"Millions of our people have become holders of bonds of their Government, but some of them seem to feel that they are under no further obligation to retain these bonds and they are selling them and using the money for unnecessary purposes or exchanging them for other securities of very doubtful value. So long as the United States needs to sell bonds those who hold the present issues should not dispose of them except under the spur of urgent necessity. They have invested in the best security in the world and it is both to their own interest and to that of their Government that these securities be retained."

N. Y. *Tribune*

IF FRANCE HAD A P. T. BARNUM SHE COULD SOON PAY HER WAR DEBT WITH THE PROFITS FROM AMERICAN TOURISTS

New System in Stock Dealing

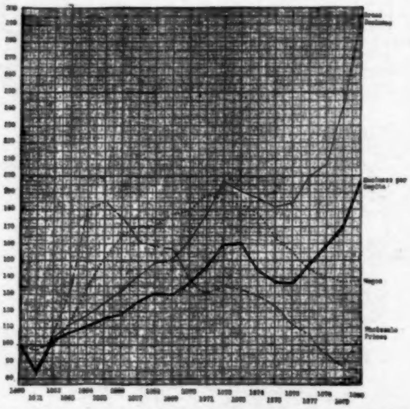
Through an amendment to the constitution, the Governing Committee of the New York Stock Exchange has paved the way for important changes in the method of financing stock market operations and in delivering securities.

The plan, which involves the formation of a corporation with $500,000 capital, aims to do away with overcertification of checks, and to supply a central agency for the clearance of brokers' call loans. Steps looking toward weekly or fortnightly settlements in replacement of the current day-to-day payment for

securities bought are not involved in the new undertaking.

A special committee of Governors headed by S. F. Streit proposed the formation of a clearing organization.

"Your committee is confident," the report says, "that through the operation of the Stock Clearing Corporation at least 65 per cent. of the present daily extension of credit received from banks will be eliminated, and because of the control by the Governing Committee of the New York Stock Exchange through the Directors of the Stock Clearing Corporation, and new and efficient methods, there will be afforded protection against risk and liability to the members of the corporation that should cause the business of the Exchange to be conducted on a safer basis than ever before."



The Guaranty News

THIS CHART SHOWS THE VOLUME OF BUSINESS, PRICES, AND WAGES IN THE UNITED STATES FROM 1860 TO 1880

"Higher Bond Prices"—C. E. Mitchell

Charles E. Mitchell, president of the National City Co., one of the largest bond distributing organizations in the country, says in an interview with the *Boston News Bureau*:

"I expect bond prices to advance. With war contracts being canceled business concerns all over the country will liquidate inventories. They will then pay off loans at their banks; the banks will reduce their liabilities at the Reserve Banks, and the Reserve Banks in turn will cut down their note circulation. Thus is deflation accomplished. It must inevitably mean lower prices for commodities, lower interest rates, and by the same token higher prices for bonds.

"So far as money rates are concerned, I am of the opinion that the situation is actually much easier than appears on the surface. Bank deposits are enormous. Deposits of the National City Bank today are the biggest in the history of the institution. But restrictions on the loaning of funds are still in force, and so long as they remain in force quoted money rates will not express the true relation between the money supply and demand. With all restrictions cut off I believe money rates would at this very moment be easier."

Asked regarding the effect upon the bond distributing business of the wide diffusion of Liberty bonds throughout the country, Mr. Mitchell said:

"The effect has been clear-cut in our own business. Our average sale is smaller now than it has ever been before. On the offering of $50,000,000 Pennsylvania bonds Friday morning we received from our various offices about a thousand orders for $1000 bonds. Formerly the method of disposing of an issue was to distribute it in large blocks among big institutions and rich men. But the thrift idea which the government has implanted in the minds of the people, will, I believe, change this. Of course the industries of the country can never hope to offer an incentive to thrift corresponding to the government's appeal to the patriotism of the people during the last year and a half, nevertheless the man with a small sum to invest is collectively a powerful factor and methods will be devised to employ these amounts—huge in the aggregate—in the financing of our industries."

Are U. S. Bonds on Right Level?

Frequent extravagant published assertions to the effect that shortly after the return of peace the holders of Liberty Bonds will be able to realize glowing profits on their holdings by reason of a substantial advance in the market value far above par, fail to take into account that no precedents exist for making such estimates, writes C. F. Childs in *The Financier*.

It is probably conservative to base calculations of future prices upon a 4% money basis in the expectation that a credit level of that figure will be established by the United States, Great Britain and France within a few years after the close of the war. Furthermore, the continuance of high taxation, which seems inevitable for several years, will undoubtedly be considerably modified, with the result that a considerable number of holders of Liberty bonds will probably sell them regardless of their various tax-exemptions (most of which will cease two years after the war) in order to reinvest the proceeds in other securities. By that time there will be no further incentive to persuade twenty-five million bond-holders that it is unpatriotic to surrender their holdings of Government Bonds. Therefore, if we estimate a 4% basis as prevailing by January 1, 1921, and if we anticipate that a demand will then exist on the part of the public to invest

in the same bonds to net them only 4% income, they should be quoted as follows:

3½s (due 1947, redeemable 1932).....= 92
First (converted) 4¼s (due 1947, redeemable 1932) ....= 102¼
Second (converted) 4¼s (due 1942, redeemable 1927) ....= 101½
Third 4¼s (due 1928)...............= 101½
Fourth 4¼s (due 1938, redeemable 1933) ....= 102½

Obviously, these approximations will be governed by the supply and demand, and since the bonds outstanding of one issue differ in amount from those of another, and as the tax features also vary with respect to the different bonds acquired under different circumstances in nearly every case, due allowance should be made for those particular factors.

Big Inventories of Industrials

At the conclusion of the armistice industrial companies generally found themselves with record inventories, says the *Wall Street Journal*. This was to have been expected as not only have prices at which their present stocks were purchased been abnormally high, but demand for their goods was above the normal and it was absolutely necessary to carry large stocks. In many cases the value of goods on hand was as much as three times above normal peace inventories.

Below is shown inventories of a number of large steel and copper consuming companies, according to their latest annual reports, with comparison with inventories report for 1912 or 1913, in each case the year being chosen which affords the best basis for comparison:

Company	Latest Report	Pre-War
Amer. Car & Foundry..	$28,786,594	$12,439,214
Amer. Locomotive*....	11,637,472	5,749,234
Amer. Steel Foundries.	7,352,854	2,108,473
Baldwin Locomotive...	25,937,164	4,623,927
General Electric.......	81,851,311	37,790,739
International Harvester	44,019,378	75,060,216
Pressed Steel Car.....	6,180,428	2,569,842
Westinghouse Electric.	60,548,533	18,510,223
Westinghouse Air Brake	9,075,161	2,770,486

* Does not include work in progress, which is shown separately on the balance sheet. All equipments companies' inventories include a substantial amount for work in process and to this extent inventories are protected.

Decision as to the disposition of inventories will depend on many factors, including the judgment of the management of each company as to the probable course of prices for materials and the expected demand. But in some cases there is good reason to expect that part of the inventories will be liquidated by sale to bring them down nearer to a normal basis, even though this involves a loss. The loss, of course, would be charged against war profits.

Financing of U. S. Criticized

The report of the Committee on War Finance of the American Economic Association, presented at the annual meeting of the association, at Richmond, Va., disapproves of varying rates of normal income tax and criticizes adversely other features of the Income Tax law, expressing a fear that some features of the excess profits tax may have a ruinous effect upon certain classes of concerns.

The report approves consumption taxes and indicates the problem of filling the gap that would result from prohibition.

Warning is given that the talked of capital levy might be disastrous. Financing with Treasury certificates is found to be undesirable.

The rate of interest paid on Liberty Loan bonds is held to be too low. Part of the advance in prices in commodities is blamed on the government's method of financing and the failure to raise the Federal Reserve discount rate.

N. Y. *Herald*

IS THIS WHAT WE FOUGHT FOR?

The proposal to pay a bounty to gold producers is disapproved.

Wood Shipbuilders Fear Ruin

Wood shipbuilders of the Atlantic and Gulf coasts are pressing the United

States Shipping Board for protection against what they say means financial ruin.

When Chairman Edward N. Hurley returns from Europe he will be confronted with the demand that the board shall buy their shipyards at cost prices, and stand ready to sell them back to the owners at present valuations. Further, he will be asked to see that the Shipping Board at once take steps to advance the builders 75 per cent. of the money due them on contracts, pending final adjustment.

A confidential memorandum has been drawn up by the directors of the Emergency Woodbuilders' Association, and laid before the trustees of the Shipping Board. It says:

"The association believes that the Emergency Fleet Corporation should now reimburse the wooden shipbuilders for the cost of their plants or plant extensions and adjust the contracts for the construction of ships built or in process of building on such a basis as will represent a fair return for the money employed and work done.

Fin. Amer.
"STICK TO YOUR JOB."

"In all cases where the builders desire to continue ownership of their yards, they shall be given the first option to repurchase them on terms to be agreed upon with the Emergency Fleet Corporation.

"Agreements arrived at for settlement should be prompt and the sums of money to be paid in settlement should be made available in order to prevent financial disturbance and loss."

Protection of Mexican Copper Properties

Cornelius F. Kelley, an officer of the Anaconda Copper Mining Company, and affiliated with the Greene-Cananea Copper Company, is acting as temporary head of the big organization of Mexican interests now under way in the United States.

This new organization, to be known as the National Association for the Protection of American Rights in Mexico, is the most ambitious organized protective movement ever undertaken in this country.

The organization plans to take in all the corporations, holders of Mexican securities, and every other person who has any claim on the Mexican Government.

Natural Copper Market Urged

The sooner copper producers dissolve their agreements and let a natural market create itself, the better will proceed the inevitable readjustment in the industry, says the *Engineering & Mining Journal,* speaking about the situation in the metals.

The editorial follows in part:

As producers get their bearings through partial lifting of the fog that enshrouded them upon the sudden advent of the armstice they begin to get views that are not very cheerful.

"The copper producers find themselves with about 800,000,000 pounds of crude copper on hand and in transit, which was very costly to produce. Although there is no great stock of refined copper, it is now beginning to accumulate. Australia and Japan also have stocks of copper. Great Britain does not apparently need to buy any copper right away. Germany can't.

"Among the major metals, the situation in copper is the most awkward. It is being aggravated by the mischievous agreement with the War Industries Board to maintain production and the unholy sanctioning of an agreement among the producers to maintain an asking price which they cannot get and which none of them thinks he can get. This has temporarily abolished a market and is producing a mounting financial burden."

"Lower R. R. Rates Next Year"—McAdoo

Substantial reduction of both freight and passenger rates within the next year, with maintenance of the present standard of wages of railroad employes, is the confident expectation of Director-General of Railroads McAdoo. This expectation is based on continued Government control.

The railroads will be as promptly returned to private ownership as they were seized unless the five-year extension of Federal control is assured at an early date, Mr. McAdoo indicated.

BONDS AND INVESTMENTS

The Long Swing in Bonds

Phenomenal Decline Since 1899—Position of the Bond Market Now in Relation to Long Swings—Why Bonds Are Still Cheap—Outlook for the Future

By WILLIAM T. CONNORS

BETWEEN Sept. 27th, 1918, and Nov. 11th, a period of about six weeks, the prices of high grade bonds rose on the average about eight or nine points.

This was one of the quickest and sharpest advances ever recorded. It was based, of course, on the sudden approach of peace and there is no reason to think that the price movement was overdone, for the end of the world's greatest war means the end of the world's greatest waste of capital. Such an event would naturally be marked by an important rise in bond prices, since they measure the relation between the demand and supply of investment capital.

This advance was by way of "discounting" the effect of peace. It occurred before there was time for any real accumulation of capital or for any noticeable decrease in war expenditures. It measured, not a change in the capital available at the moment, but a change in the views of investors as to the amount of capital that would be available in the future and therefore as to the prices which they could afford to pay for bonds.

The result has necessarily been a considerable fall in the yield on any bond investment made at current prices. Take a long term bond—for example, the Union Pacific first and refunding 4s due in 2008. In September these sold at 77 and their current price as this is written is 86. That means a reduction in yield from about 5.30% to 4.65%.

Second grade bonds have had a similar rise. For example, Colorado & Southern refunding 4½s sold at 71 in September and are now 80. This lowers their yield from 7.55% to 6.45%—a big drop in the return to the investor at current prices.

Peace Yields of the Past

Investors have become so accustomed to the high yields obtainable from various securities during the war that they have difficulty in immediately readjusting their ideas to peace yields. It is desirable, therefore, to review the general course of the bond market for a period of years, in order to get a view in perspective. The investor's ship has been driven so far out of its course by the storms of war that he now needs to get out his sextant and locate his position.

Various statistical organizations compile averages of bond prices from day to day or month to month. There is little difference in the value of the results. Any average of ten or twenty good bonds will show the general course of the market with a fair degree of accuracy. On the other hand, any average will vary slightly from any other average, according to the particular bonds used. The graph herewith is based on the Babson 20-bond average.

Bond prices touched their highest point in the years 1899 to 1901. This was partly the result of the large accumulation of capital which occurred during the business depression which lasted from 1893 to 1897. Moreover, the low level of commodity prices caused by the depression resulted in big sales of foodstuffs and merchandise abroad, so that we had the biggest

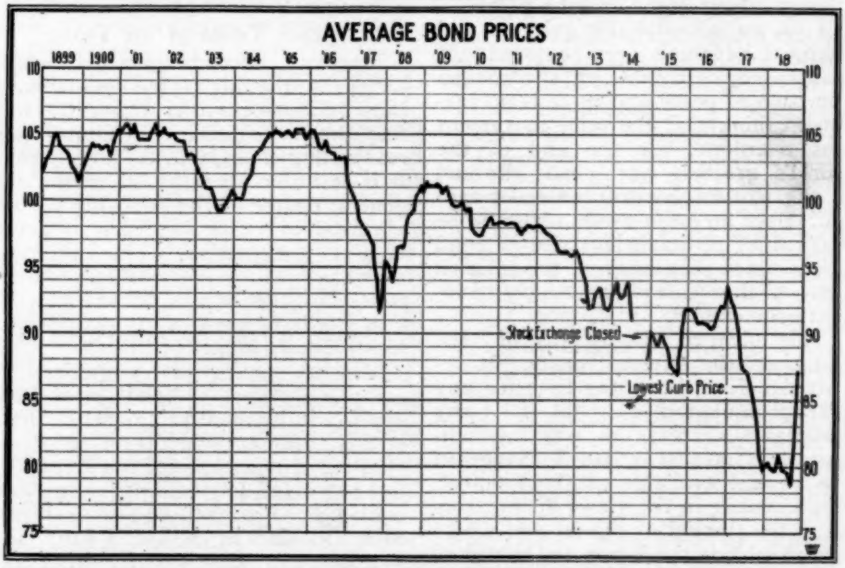
"favorable trade balance" of our history down to that time, and this contributed to increase our investment capital.

Public sentiment also had a good deal to do with creating the high plane of bond prices which marked the incoming of the new century. There was a general belief that high interest yields were a thing of the past, that we had entered upon a new era of permanently cheaper capital, that the great profits resulting from the increased efficiency of the big industrial organizations then being formed would keep interest rates low, and so on.

These views seem amusing now but they were then accepted quite seriously. There was doubtless an element of truth in them. As the world grows older its total of accumulated capital increases and presumably the time will come when we have more capital than can be invested to yield the profits to which we are now accustomed, so that interest yields will become permanently lower. But so large a part of the world still remains industrially undeveloped that this period of superabundant capital must be relegated to the indefinite future and has no practical bearing upon investments of today.

Beginning with 1901 the demand for capital began to gain on the supply. Then came the "Money Panic" of 1907, with temporary prices for bonds having little relation to their permanent investment value. This carried the bond average down to 91.6, against a high of 105.7 six years before. By 1909 most of the loss had been recovered and the figure 101.5 was touched.

After that came a slow downward drift to 1913, due to the simple fact that the world was spending and devoting to various new enterprises more capital than it was accumulating. The year 1914 opened with a much more cheerful sentiment towards bonds and prices rose from a low of 91.5 in 1913 to 94 in February of 1914.



It is useless to guess what would have happened if there had been no World War. Certainly the bond list would not have declined to the low level of 78.4 touched in September of this year, but whether or to what extent it would have advanced we have no means of estimating.

The Peace Rally

The peace rally so far has been about nine points, after a decline of over 27 points from the 1901 level. We have recovered less than one-third of loss.

The present level of bonds is still below the bottom prices touched in the crash of 1907. It is below the prices recorded on the Stock Exchange when the war broke in 1914, and is only a trifle above the prices made on the Curb while the Exchange was closed. The average of these Curb prices as shown on the graph is merely approximate. The Curb market for bonds at that time was a sacrifice market, made by sellers who must have money at any cost and by buyers who were looking only for extraordinary bargains. Such prices could not be accepted as an adequate measure of values, but the approximate figure is added to the graph as a point of historical interest.

The low points of 1907 and 1913, which, curiously enough, were almost exactly the same, may justly be taken to represent the lowest level likely to be reached in times of peace—and the present average is still more than four points below those bottoms. We still have war prices for bonds, in spite of the sharp rally of the last two months.

It is not possible to doubt that the broad movement of bond prices will be upward from this level.

The point of greatest immediate interest is whether the present plane of prices will be fully maintained or whether bond buyers may still have another opportunity to take advantage of the after effects of war by buying on a considerable reaction. The man who could answer this question authoritatively would find himself in great demand in the investment world.

Replenishment of the world's capital will come as fast as the energies of the people can be applied once more to the customary pursuits of peace. There will be a keen demand for that capital, however, to repair the ravages of war and to bring up to date the various enterprises and public improvements which the war has temporarily pushed aside.

We can hardly expect a rapid accumulation of surplus capital under such conditions, yet the balance should soon be on the side of supply. And soon or late it *must* be on the side of supply.

This situation seems so clear that investors who, for any reason, wish to sell their bonds will naturally make every effort to avoid selling on any decline in prices. A serious trade depression would force some bondholders to sell and thus cause a reaction in prices. Otherwise I do not see why bond prices should react more than a very moderate amount.

As to whether a serious trade depression will occur now, I can only express my own view that it will not. With so many new and doubtful factors in the situation it would be folly to be dogmatic, but so far as I am concerned I cannot see the probability of anything more than an industrial readjustment, accompanied by a somewhat lower level of prices for steel, copper and other materials which have been most in demand for war purposes. This readjustment will naturally be accompanied by some temporary slackening of business activity but nothing worthy of the name of trade depression.

Conclusion

We must conclude, therefore, that bond prices are unquestionably still low, when measured by any sort of peace conditions that have prevailed in the past.

There is a very little possibility that the investor will again be able to buy bonds at the low levels of two or three months ago.

There is a possibility that he can buy a little lower than the present level, but it is a question whether that possibility is great enough to warrant the intending buyer in holding off to wait for a reaction.

I believe the safest plan for the bond buyer now is to put his funds into selected issues as fast as his surplus income accumulates. And if any considerable reaction should come he would be warranted in borrowing moderately to buy additional bonds which he could see his way clear to pay for in full in the near future.

Attractive Industrial and Utility Bonds Yielding 6%

A Selected List for the Investor Desiring Safety and Good Yields—Brief Discussion of the Issues Suggested

By GEO. S. HAMMOND

AN article in the last number of this magazine discussed the investment features of a dozen railroad bonds yielding about 6% at the present market prices. The suggestion was made that anyone contemplating investment in them would do well to diversify his purchases. To carry this suggestion a point further, its application might be extended to diversification as to type of security. The 6% return is even more easily obtainable in the field of public utility and industrial bonds than in the railroad issues, but, as the rails are still, in spite of their recent vicissitudes, the most stable of corporate bonds, even more careful discrimination should be employed in the selection of the other issues.

The situation of the utilities and that of the industrials have been widely at variance. The latter have flourished beyond the most avaricious dreams of their stockholders, and the margin of safety for their bonds has jumped from little or nothing, in many an instance, to a point where interest charges became a mere flea bite out of the annual income.

Obviously, the investor is confronted with the task of gauging how far the reverse swing of peace times will go; also to what extent the accretions of assets during the war prosperity have placed a new and permanent bulwark before the bonded debts. The flexibility of the point of view on this subject, according to the optimism or pessimism of the observer, makes it impossible to approach the question with any sure, fixed standards of judgment. Each case must be judged on its own particular merits.

Perhaps the best course is to lean backward in one's conservatism and take the position that an industrial bond is not desirable, except where its pre-war record has been clean, with the few exceptions where the debtor has undergone so complete a transformation that it clearly seems most unlikely a return to the former low estate will occur. The reduction of debt by sinking funds and through purchase voluntarily plays an important part in this connection, many an issue having been reduced from a heavy figure to one of moderation.

Public utilities, on the other hand, have been a victim of war inflation, with their frequently inflexible rates and mounting costs. The trials through which they have passed have tested their stability to the utmost, and it is a generally fair conclusion that the bonds of a concern which has survived this period without impairment of its strength faces an assured future, so far as human foresight can determine. Just as the investor should not be swayed too much by the phenomenal prosperity of the industrials, so he should not be carried to the other extreme by the record of the utilities in the past year or so. It seems assured that they will, as a class, resume their former status through either a reduction in costs or through more comprehensive rate readjustment—perhaps through both together.

Market values are not quite so philosophical in their attitude, however, and declining net revenues have carried quotations with them. For this reason, the present opportunity for the purchase of good 5% utility bonds at substantial discounts is well worth grasping.

A Selected List

I have selected the issues given in the table as representative of the best public utility and industrial bonds to be had at prices to yield 6% or over. They all

enjoy good markets. The risk involved is not great, on the average, but it would be futile to pretend that the security is uniformly of the highest excellence.

A logical, but, unfortunately, seldom the actual way, of regarding a return of this rate is, let us say, as 80% or 90% actual income available for ordinary expenditure, with the balance constituting a fund for offsetting possible depreciation or loss. The fund may never be called upon for this purpose, if sound judgment be employed in making the investments.

The undeniable fact remains, however, that investments do go wrong, from time to time, in spite of every precaution. The investor who has made no provision against this contingency may suffer impairment of principal, unless his loss be offset by appreciation in other holdings. This is what commonly happens, of course, at least in a relative sense and disregarding the fundamental trend of interest rates. The foregoing suggestion may be worth considering, however, by those who have a leaning toward high yield securities.

PUBLIC UTILITY AND INDUSTRIAL BONDS YIELDING ABOUT 6%

Issue	Maturity	Price	Yield	High Since 1910	Decline
Colorado Fuel & Iron General 5s	1943	88	5.95%	102½	12½
Bethlehem Steel First 5s	1926	95	5.90%	104½	9½
Distillers Securities First 5s	1927	89½	6.70%	89½	....
Lackawanna Steel Consol. 5s	1950	88	5.85%	109	21
Midvale Steel First 5s	1936	89	6.05%	95	6
New York Air Brake First 6s	1928	100	6.00%	114¾	14¾
Union Bag & Paper First 5s	1930	89	6.35%	96½	7½
Pacific Gas & Electric General 5s	1942	88	5.95%	94	6
Peoples Gas Light & Coke Ref. 5s	1947	84	6.20%	104	20
Northern States Power Ref. 5s	1941	90	5.80%	99	9
Consolidated Gas Electic Light & Power (Baltimore) Genl. 4½s	1935	83	6.25%	94	12
Rochester Railway & Light Cons. 5s	1954	85½	6.00%	101⅝	16⅛

Colorado Fuel and Iron General 5s amount to $5,715,000 and cover by first lien 11,957 acres of coal lands, and the rest of the property by a lien subject to less than $1,000,000 prior obligations, which mature in 1919. They are followed, with respect to the property of the Colorado Fuel & Iron Co. proper, by $32,748,000 Colorado Industrial 5s, giving them a very large bond equity. The company has never been by any means a brilliant earner. In 1914 and 1915 it had deficits after charges, and in 1917 it earned its charges but 1.79 times. As the interest on the General 5s comes to only about $290,000, however, against annual total incomes of from six to twenty times this sum, its position seems thoroughly assured.

Bethlehem Steel Co. First Extension 5s were put out in 1906, when Bethlehem was a very small proposition, as compared with its present size. A little under $11,000,000 were originally sold, of which more than $4,000,000 have been retired by the sinking fund. They are secured by first lien on the property at South Bethlehem acquired since 1901, and by a mortgage, subject to $7,500,000 Purchase Money 6s, on the balance of the plant. With their bond equity alone of $12,789,500 Refunding 5s and $50,000,000 notes, they appear to be as secure an industrial bond as one could wish. It is by no means certain that Bethlehem will for many years reap any such profits as have come to it in the last two or three years, but earnings could be slashed to a very small fraction of those amounts before the underlying bonds would be endangered. The Extension 5s seem an excellent purchase.

Distillers Securities First 5s are the one bond on the list which has been selling at higher prices recently than for many a year. There is an unusual situation in these bonds. Of an original issue of about $15,000,000, all but about $5,500,000 have been retired by purchase in the market, it is reported, and it is be-

lieved that the buying in on the part of the company will continue. They are secured by deposit of a large majority of the stock of the Distilling Co. of America, which in turn owns the stocks of the various subsidiaries. Working capital was well over the bonded debt at the end of 1917, and it is believed that cash and Liberty Bonds alone now total about $10,000,000. Interest was earned 7.8 times last year. While the big war profits on alcohol are over, the company has big stocks of whisky on hand, carried at low values, and is in a position to liquidate the remainder of its debt without difficulty.

MIDVALE STEEL 5s are secured by deposit of 860,355 shares of stock of the Cambria Steel Co., acquired at a cost of about $70,000,000, against which there are outstanding $43,991,000 of these bonds. The price paid for the Cambria stock at the formation of the Midvale Co. in 1915 was generally regarded as high, but it has been pretty well justified by subsequent earnings. With its subsidiaries, Midvale had an income before interest, depreciation, or federal taxes, of $37,606,018 in 1916, and of $71,405,776 in 1917. As bond interest is only about $2,524,000, earnings can take a terrific drop before these bonds will be hurt. The net working capital is well over the bonded debt, which will gradually be reduced by the sinking fund. Midvale has been largely a munitions concern, but some of its component parts are important producers of commercial steel, and have operated profitably for many years.

LACKAWANNA STEEL CONSOLIDATED 5s are secured by a first mortgage on the Pekin limestone lands near Buffalo, and by a second mortgage, subject to $11,750,000 First 5s of 1923, on the plant at Lackawanna and other assets. The amount of the issue is about $7,000,000, but $35,000,000 are authorized, provision being made for the retirement of the First 5s. The Consolidated 5s will thus become an absolute first mortgage in a little over four years. Lackawanna's record before the war was mediocre, and the bonds were but poorly protected. In the last six years, however, the debt has been reduced from $41,618,000 to $23,353,500. Plants have been modernized, working capital has been increased, and dividends have been conservative, the final surplus in 1917 alone being over half of the present debt.

NEW YORK AIR BRAKE FIRST 6s are a clean cut, first mortgage of $3,000,000, covering the plant at Watertown, N. Y. The company has been in the business of manufacturing brakes for about thirty years, and its record is good. Charges have always been earned with a fair margin to spare. In 1916 they were covered no less than 46 times, as a result of extremely successful handling of war contracts, profits being multiplied tenfold. Out of earnings for the stock in that year of 82.2%, only 11½% was paid out in dividends. The corporate surplus was increased in two years by more than twice the bonded debt, and working capital alone was not far from twice the debt at the end of 1917. Profits should not decline enough to endanger the bonds in any way.

UNION BAG & PAPER FIRST 5s are practically a first mortgage on the entire property of a concern which, like most others in the paper business, made but little money in the few years preceding the war. In 1916 charges were not earned, but for some years prior thereto there had been a regular, if small, margin of safety. Profits have been very large in 1917 and 1918, making it possible to build up an ample working capital, and to start dividends at the rate of 6% on the $10,000,000 capital stock. There are $3,018,000 of these bonds outstanding, the 2% sinking fund having retired $1,339,000. As the bonds in the fund are kept alive, the rate of retirement constantly grows. This security is not quite the most conservative one that could be found, but it seems reasonably safe.

PACIFIC GAS & ELECTRIC GENERAL 5s have long been a favorite utility bond. The company serves San Francisco, Sacramento, Oakland, and a great number of smaller communities in central California. The business has grown steadily, and bond interest is regularly earned more than twice over, before the deduction of depreciation charges. The dividends paid have usually been well within the sums

available to meet them. There are at present $33,042,000 outstanding, exclusive of a recent offering of $3,500,000. Though subject to prior liens aggregating $46,906,300, the General 5s seem to be amply secured. More than half the total revenue is derived from electricity, and as about three-fifths of the generating capacity is hydro electric, the company has at least partial protection against high fuel and labor costs. The operating ratio has been kept down quite successfully, so far.

PEOPLES GAS LIGHT & COKE OF CHICAGO REFUNDING 5s stood for a great many years as one of the very best of utility bonds. Earnings fluctuated within narrow limits, fixed charges being earned not more than 2.63, nor less than 2.20 times from 1908 to 1915 inclusive. The gradual advance in costs, particularly fuel, cut this down to 1.87 times in 1916, and to .85 times in 1917. The rate situation has been bad, and efforts to secure relief were fruitless for a long time. Permission was finally obtained in July, 1918, from the Illinois Public Utilities Commission to put rates up 27½%. The expected increase in revenue is $4,500,000 annually, which will, if realized, bring the income back to somewhere near normal. The company may be adversely affected by its rate and other difficulties for some time to come, but these bonds appear to be intrinsically sound, and should ultimately be restored to their former high position.

NORTHERN STATES POWER REFUNDING 5s cover, partially by first lien and partially by junior lien, the property of a prosperous company serving Minneapolis, St. Paul and a number of other communities in Minnesota and neighboring states. The mortgage debt amounts to $30,047,500, followed by nearly a third as much in notes. Total income is usually about twice charges, though somewhat affected at present by increased costs. The mortgage bonds, with their substantial note equity, in addition to dividend paying preferred stock, look very sound.

ROCHESTER RAILWAY & LIGHT CONSOLIDATED 5s have long had a high investment standing. The issue of $10,881,000 is subject to but $3,072,000 prior liens in its mortgage upon a gas and electirc property serving one of the best territories in the State of New York. It is followed by $3,900,000 General 7s. Gross earnings have grown without interruption for a number of years. The ratio of charges to income is most unusually steady, the income being not less than 1.70 nor more than 1.91 times charges in eight years. With a record of this kind behind them, the bonds deserve unqualified confidence.

A somewhat similar old established utility bond is the 4½ GENERAL MORTGAGE OF THE CONSOLIDATED GAS ELECTRIC LIGHT AND POWER CO. of Baltimore, outstanding to the amount of $15,000,000, subject to $13,928,000 prior liens, and followed by $8,500,000 notes of 1921. This company has also maintained a record of unbroken growth, extending back for ten years or more, with net income advancing faster than charges, so that whereas they were earned but 1.57 times in the year ended June 30, 1909, they were covered 2.40 times in 1917, and dropped but slightly to 2.03 times in 1918.

TAKE THAT, NEW YORK!

Magazine of Wall Street,
42 Broadway, New York.

Sirs:—In the Official U. S. Bulletin of the 11th is a tabulation of the Third Liberty Loan by bank districts; the total quota was three billions, of which $2,100,000,000 was outside of New York. The subscriptions outside of New York were $3,043,000,000 or 145% of the quota and $43,000,000 in excess of the total quota. The New York quota was $900,000,000, the subscriptions $1,115,000,000 or 124%. The New York district subscribed the least percentage of any district in the country; had it subscribed 145% of its quota it would have raised $290,000,000 more. I only mention this because New Yorkers seem to think the rest of the country is a negligible quantity.

Making Your Bonds Do Double Duty

Example Furnished by Banking Practice—Conservative Means of Increasing Income—Mistakes to be Avoided

By ARTHUR WALSH

FOR more than fifty years United State Government bonds have served a two-fold purpose and provided a double source of income to a certain class of bondholders—namely, the national banks. For besides yielding their regular interest these U. S. bonds could be deposited at Washington as security for the issuance of bank notes—which notes in turn could be loaned to the public at current money rates.

Thus a bank which purchased $100,000 Government 2s against which it took out $100,000 "circulation" would net both the 2% on its bond holdings and, say, 5% through the use of its bank notes—a total of 7% on the single investment. It was this circulation privilege which has kept the price of certain Government bonds on less than a 2% basis, a fact often erroneously referred to a proof of the extraordinarily high credit of our security as compared with other nations.

The banks, of course, have always been expert in the art of making one dollar do the work of two (or three, or five). That is the source of their large dividends and the dizzy heights of bank stock quotations. But cannot the humble citizen emulate the practice of these captains of finance, and by skilfully cultivating the field of his capital bring forth two blades of interest where only one grew before? Let us see.

How the Banks Work

The basis of banking profits lies in using borrowed money.

A bank invests in bonds, notes, mortgages and (chiefly) loans to business men. But only a small part of the funds so invested is derived from the banker's own capital; the rest is *borrowed* from his depositors.

Outright purchase is not, therefore, the criterion of real investment. Low priced "pups" are paid for in full because no one will lend on them, yet they are usually pure gambles. On the other hand, the Liberty Bond subscriber who borrows from his bank to carry his investment can hardly be termed a speculator.

This distinction being clear, let us consider further the *investment possiblities* of operations of this character. The bank derives its profit from investing or lending at a higher rate than it pays its depositors. The same theory underlies a successful commercial business which aims through judicious borrowing to extend the earning power of its capital. In the case of an industrial corporation the advantage to the stockholders of having a conservative part of the total capitalization in the form of bonds is not generally realized. A prosperous company which has borrowed half its capital may often earn early twice as much per share as another which has only common stock outstanding.

Borrowing for the purpose of increasing the net return on one's capital is thus a universal practice in commerce and finance. Precisely the same course is open to the individual investor who uses his Liberty Bonds, or other securities, as collateral for additional holdings—carefully chosen, well protected and yielding a high enough income return for the purpose.

We offered a concrete example of the results obtained through the purchase of $10,000 notes against the deposit of $5,000 Liberty 4¼s:

EXAMPLE I

Original Capital, $5,000 Liberty 4¼s
Deposited against purchase of $10,000 Studebaker two-year 7% notes at par.
Interest received:

A 4¼% on $5,000 Liberty Bonds..	$212.50
B 7% on $10,000 notes	700.00
	$912.50
Less	
C 6% Interest Paid on Loan of $10,000	600.00
Net Income	$312.50

Equals 6.25% on Original Capital.

Now nothing could be simpler in principle than this operation, and surely nothing more legitimate, since it involves a highly conservative use of a valuable but often neglected asset—the individual's credit. Nevertheless its success is evidently contingent upon two factors. First, the additional investment must be absolutely safe; otherwise you risk to lose in principal more than is gained in interest. Second, the rate of interest paid must remain less than that received, since the whole purpose of the operation is to take advantage of this favorable difference.

High Money Rates

It must be admitted that the present time is not especially propitious for the most conservative marginal operations, since the rate of interest charged by banks and brokers has been ranging at unusually high levels. I nnormal time when call money lends between 2% and 3% the margin of profit through borrowing for investment becomes appreciably greater.

The Studebaker 2s have been selected for our example because they return the best yield of all the conservative note issues. When it is considered that there are only $1,000,000 of the two-year maturity outstanding, that there is nothing ahead of them and two large stock issues behind them, the repayment of this obligation appears assured beyond question —regardless of the checkered market history of the common stock.

If Bethlehem Steel 2s due 1922 are purchased at 100½ in lien of the Studebaker notes the net return becomes about ⅛ of 1% less, since the ½ point premium must be deducted from the interest received. The converse is true in the case of Anglo-French 5s at 97. Here the coupon rate is less than the 6% "carrying charge," so that there is an actual loss on the interest account. But since on Oct. 15, 1920, the bond is to be redeemed at par, three points above the cost, the gain (really a part of the income return) more than offsets the interest loss and nets a fair profit on the whole transaction—as shown in detail in Example II.

The gain in income shown in the first two examples is rather moderate, due to the fact that the operation is conducted on the most conservative scale, with an exceptionally large margin to protect the investor. The higher the ratio of the new investment to the original capital,

EXAMPLE II

	Per Year
Interest Received on $5,000 Liberty 4¼s	**$212.50**
Interest Received on $10,000 Anglo-French 5s	**500.00**
Gain in Value Through Redemption at par ($300 in 1 year, 10¾ months)	**167.50**
	$880.00
Less interest paid, 6% on $9,700	**582.00**
Net Income	**$292.00**
Equals 5.84% on original capital.	

the greater the relative gain in interest. If in Example I, $20,000 Studebaker 2s were purchased instead of $10,000 the net gain in interest would have been $200, bringing the return on the $5,000 Liberty Bonds up to 8.25%.

Conservatism Necessary

But while smaller margins mean larger profits, though also mean greater risks. The investor must be assured not only of the ultimate or intrinsic value of his additional commitment, but also that his margin is sufficient to protect him against any temporary but severe break in its market value. Were it not for this fact it would be possible to obtain an extraordinarily large income return through the purchase of high yielding securities on a relatively small capital. This is particularly true of stocks, some of which yield over 10% at their present dividend rate. Suppose, for instance, we purchased 100 shares of Gaston, Williams and Wigmore at 30, depositing as collateral a $1,000 Liberty Bond. We are borrowing $3,000 on which the interest charge is, say, $180. But the dividend return is $4 per share, or $400, leaving a net income of $220 per year, or 22% on our Liberty Bond in addition to the 4¼% coupon.

This result sounds too good to be true, and needless to say the scheme has its dangers and disadvantages. First, the whole proposition depends on the maintenance of the $4 dividend rate, and this must be regarded as uncertain—otherwise the stock would not be selling to yield 12%. Secondly, if the market price of the

issue should drop five or six points, additional margin would immediately be required; in default of which the holder would be forced to sell out at a substantial loss. This actually happened in the case of American Light and Traction, which because of its prime investment rating combined with a remarkable dividend return, had attracted many "marginal investors." The dividend has indeed been maintained; nevertheless in one year the quotation shrank from 400 to below 190—eliminating many marginal holders who had thought themselves entrenched against any contingency.

But for the business man or large investor who can afford to assume a small amount of risk there are really excellent opportunities to obtain a large income return through the use of Liberty Bonds in acquiring standard dividend paying stocks at their present low levels. Example III works out the details of a purchase of 200 shares of American Telephone and Telegraph stock on a capital of $5,000 in Liberty Bonds.

EXAMPLE III

Original Capital, $10,000 Liberty 4¼s. Deposited as collateral against the purchase of 200 shares of Am. Tel. & Tel. at 100.

	Per Year
A Interest Received on Liberty Bonds	$ 425
B Dividend Received on 200 shares of Am. Tel. & Tel. at $8 per share	1,600
	$2,025
Less	
C Interest Paid, 6% on 20,000	1,200
Net Income	$ 825

Equals 8.25% on Original Capital.

A careful analysis of the American Telephone and Telegraph situation discloses no good reason to anticipate a cut in the 8% dividend, which has been paid since 1907. The Government contract specifically guarantees the continuance of the established rate; if Federal ownership should eventuate the terms of acquisition are sure to protect the stockholders adequately.

The same considerations apply to the strong dividend paying railroad stocks, such as Illinois Central, Chicago & Northwestern, Great Northern or Northern Pacific. In all these cases the current 7% rate should be maintained without question—unless the sudden return of the systems to private operation should precipitate complete financial demoralization—an almost unthinkable contingency. Buying these stocks on a 5% margin of Liberty Bonds would add between 2¼% and 2.70% to the income received on the 4¼s.

"Investing on margin" requires intelligence and caution to guarantee success—yet these are necessary for all other forms of investment. We have tried to demonstrate that the underlying principle of these operations is not only sound and legitimate but universally followed in commerce and finance. The investor must be warned against the danger either of selecting unsafe issues, because of their high yield, or of trying to carry too large a block of new securities in proportion to his capital. These errors correspond to speculation and overextension in the field of business and bring the same dire results wherever committed.

Magazine of Wall Street, December 16, 1918.
42 Broadway, New York.

Dear Sirs:

Enclosed herewith find check for $5.00 for the renewal of my subscription to your magazine. May I take this opportunity to congratulate you upon the continued improvement evidenced in all departments of your magazine, and the service which you are rendering to investors is invaluable. I might also add that I have been a reader of your magazine, either as a mail subscriber or as a news-stand buyer, since the first issue in November, 1907, and possess a complete bound file of same and I assure you that I value it most highly. I wonder how many of your subscribers can equal my record. With best wishes for continued success, I beg to remain,

Very truly yours,
F. W. CONING,
9 Livingston Avenue, New Brunswick, N. J.

Investment Inquiries

(All inquiries should be accompanied by a return-addressed, stamped envelope to receive attention.)

AMERICAN CAN
A Maturing Investment With Good Equities

American Can has placed itself in a strong position. The company has never paid a dividend on the common stock, and between 1908 and 1917, showed an average earning power of over 5% on this issue. This average included some very bad years, and earnings in the past four years have taken a pronounced upward trend. Partially due to war prosperity, the company earned over 5% in 1915, 12% in 1916, 21% in 1917, and estimates for 1918 show the equivalent of about 14%. The principal objection against the stock is that the company has been war prosperous, and that the common stock was originally "all water." But we are dealing with present values and the fact remains that the company can pay a dividend of 5% very conservatively, and maintain dividends for some years without imparing the capital structure or future prospects. The price and strength of the shares is an indication of the "discounting process" and although the market is apt to be a tiresome affair to the investor who looks for rapid profits, we are not so sure that the company will not manage to retain a large portion of its so-called war business, and continue to show a high earning power in the future. The stock is acting marketwise as one of the strongest on the industrial list, and it does not look like distribution.

SOUTHERN RY. AND B. O. PREFERRED
Not Gilt-Edge But Attractive

Southern Railway Pfd yielding 7.25 and Baltimore & Ohio pfd yielding about 7% are suitable long pull investments for a moderate investor who desires to secure something better than a savings bank income, with a possible profit. The first named is earning its preferred dividend by a very wide margin, and in the case of B. & O. pfd. although the common stock is not in a very strong earning position, the preferred dividend has been paid since 1900 without a break and it is a fact that this issue did not sell below 75 in the panic of 1907. It always sold between 75 and par in the years before the war, showing the esteem in which it is held. While neither is strictly a "gilt-edge investment" we consider them suitable for your purposes.

TIME TO BUY BONDS
The Fifth Liberty Loan

We consider the present a suitable time to purchase high grade bonds giving a fair yield, especially those of long term having a convertible feature. Investors are not likely to gain very much by holding back indefinitely.

The fifth Liberty Loan although probably a 4½% issue should not affect the bond list very much. Liberty bonds are already selling upon a 4.5 to 4.8 basis and it is a question whether the market is not already discounting a higher interest rate on Liberty Bonds. Wall Street has a habit of doing these things well in advance. You will be cooperating with us by looking over the list of preferred stocks in the October 26th issue and also our Bond Buyers' Guide. We hesitate to make up an indefinite list, for we do not know your requirements in the way of interest, the degree of strength in stocks or bonds, nor the risk you care to assume. We suggest that you send us your list, and would include Southern Pacific, Union Pacific, Northern Pacific and American Sugar.

AM. TEL. 6s VERSUS AM. TEL. STOCK
Ten Conservative Stocks

American Tel. Conv. 6s of 1925 are convertible into the common stock of the company at 106 at any time after August 1st, 1920, until maturity. This gives a long call on the stock at an attractive figure. The stock sold above 106 recently and around 128 in 1917, 134 in 1916, 130 in 1915, 124 in 1914, and fluctuated between par and 153 between 1908 and 1913. Obviously the convertible privilege is valuable and the bonds are a more conservative investment than the stock. Telephone has never earned a very large margin above dividend requirements in the past and although no reduction is in sight, it will be better to accept the lower yield and privilege of conversion rather than assume the risk of a decline in the shares.

Regarding a list of ten conservative stocks with a fair yield in dividend, we refer you to our October 26th issue, giving a list of recommended preferred stocks. We would suggest five preferred and five common to meet your requirements. Here is the list.

American Loco., pfd.
Goodrich, pfd.
National Lead, pfd.
Virginia Car. Chem., pfd.
Westinghouse, pfd.
Southern Pacific
Northern Pacific
American Sugar
American Light & Traction
Anaconda (Dividend 6%).

CHURCH TRUST INVESTMENTS

"Legals" to Yield 5%

The following bonds, legal for savings banks, are gilt-edge and suitable for investment funds of a church trust:

Baltimore & Ohio conv. 4½, 1913, yielding about 6.1%.

N. Y. Central ref. and imp. 4½, 2013, yielding about 5.30%.

Southern Pacific ref. 4s, 1955, yielding about 4.90%.

Chicago, Mil. & St. Paul gen. 4½, 1989, yielding about 5.20%.

Chicago Burlington & Quincy gen. 4's, 1958, yielding about 4.85%.

Baltimore & Ohio ref. and gen. 5s, 1995, yielding about 5.80%.

The average yield on the above is about 5% as desired, and considered safe.

SINCLAIR WARRANTS

Their Possibilities

Sinclair Oil warrants entitle the holder to buy 25 shares at $47.50 a share before August 1st, 1919, and at $50 a share before February 1st, 1920. The warrants have an inactive market between 15 and 20, and appear to possess some possibilities. The price range of Sinclair Oil has been as follows:

	High	Low
1916	67	35
1917	63¾	25
1918	38	25

The call is not unattractive as all the oils are in a strong position, as you will see on reference to the last issue of the Magazine of Wall Street, and it is not unlikely that Sinclair Oil may share in the activity which is expected in this group during the next two years. If you will assume the risk, and desire an issue of this character, it might be worth while to retain your warrants.

I. R. T. 5s

A Switch for Nervous Holders

I. R. T. 5s have suffered through the traction situation, but the security is good although the price may decline somewhat through the present position of the tractions in general, we believe there is nothing seriously the matter with these bonds which are discussed in the current issue of the Magazine. However, there are better bonds available than I. R. T. about which no such uncertainties exist such as American Telephone Conv. 6s, Southern Ry. conv. 4s, Hud. & Man. 1st 5s, Int. Ag. 1st 5s, all selling upon a high yield basis. The latter are as attractive as the I. R. T. 5s and generally speaking in a stronger, technical position. We would favor a switch in the case of nervous holders of I. R. T. 5s, or where they would suffer little loss in doing so.

A LIST OF INVESTMENTS

Easier Money in Sight

Money rates show a tendency to ease up, and in the beginning of the year a very large amount comes into the hands of investors through the semi-annual payments of dividends, interest on bonds, etc. This money usually seeks re-investment in other bonds and preferred stocks, but the latter are selling low enough to justify a purchase, independently of such a factor. In your case, we would recommend:

Southern Pacific Conv. 4s 1929.
American Telephone Conv. 6s 1925.
Consolidated Gas Con. 6s 1920.
Central Leather First 5s 1925.
Kansas City Southern Rfg. 5s 1950.
St. Louis and San Fr. P. L. 4s 1950.

The following preferred stocks would about answer your purpose:

J. I. Case.
American Locomotive
American Can.
Willys-Overland
Montana Power.

A MARCONI COMPARISON

A Comparison With Others

Marconi discussed in our Dec. 7th issue, is still in a position to rally and we suggest that you look over the article which will give you more information than we can in a letter.

Although the shares may advance somewhat in a good market, there are better opportunities for earlier profits such as Island Oil, Glenrock Oil, Howe Sound, Consolidated Coppermines, Ray Hercules, or Wright-Martin. The technical position of all these is apparently better than Marconi Wireless and from the point of view of intrinsic value, the latter have about the same intrinsic value behind their shares as Marconi. In the long run Marconi should give a good account of itself.

READING'S FLUCTUATIONS

Its Investment and Speculative Position

Reading, under Federal control would receive an income from railroad operations equal to 7% on the common, and about 18% has been estimated when profits from coal are included. This does not include the business of the Reading Iron Company. Segregation is often talked of, but it seems as far in the background as ever, although the possibility always exists of something being done. Compared with its dividend of $4 a share, the 1917 earnings were $7 but the average for the three year test period were about $9, while currently earnings are about $14 (estimated). Government control or no control, the dividend is safe and this road has nothing to fear through being returned to private ownership.

However, Reading is one of the most speculative among the railroads so far as

its price swings are concerned, and a stop-loss order is not out of place in speculative commitments to avoid being "hung up" through a possible 5 or 10 point decline. We expect better prices to prevail and the investor who merely considers intrinsic value and income has nothing to fear in holding his Reading.

GILT-EDGE PREFERREDS
Status U. S. S. Preferred

U. S. Steel pfd. is authorized to the extent of $400,000,000 and has preference as to assets and 7% cumulative dividends. This issue has equal voting power with the common stock and is not callable. Dividends have been paid quarterly, at the rate of 1¾% from August, 1901, to date. We know of no provision under which the preferred stockholders could get more than 100 cents on the dollar even in the event of dissolution.

As to your inquiry for a list of gilt-edge preferred stocks in the order in which we prefer them, we would rate these in about the following order:

American Loco.,	yielding about	6.9%
American Smelting	" "	6.4%
Virginia Car Chem.	" "	7%
U. S. Steel	" "	6%
Montana Power	" "	6.8%
American Tobacco	" "	6%
Reading 1st pfd.	" "	5.2%
Atchison	" "	5.6%

There are many meritorious preferred stocks which cannot be considered gilt-edge, which we would have no hesitation in holding, for example,

Willys Overland, pfd.,	yielding about	7.9%
Beth Steel 6%, pfd.	" "	7.6%
U. S. Ind. Alcohol, pfd.	" "	7.2%
Kansas City Southern, pfd.	"	7.2%
Southern Railway, pfd.	" "	7.2%

If you desire to invest this money in a trust fund, you would be justified in chosing gilt-edge preferred stocks. For your personal investment, we consider that you could safely utilize a part of your funds in the last named issues.

REASONABLE SERVICE
What Does It Mean?

Investment Letter subscribers usually submit a list of all their holdings when they subscribe to the Service. We refer this list through our various departments for attention, such as our Statistical Department, Technical Department and sometimes our Legal Department. The whole letter is then handled by our Inquiry Department which sends a complete reply, whether the question involves 1, 10, or 20 securities.

Subsequent developments are given in the Magazine and in some cases our Investment Letter might deal with the other securities held by the subscriber. "A reasonable amount of Service," while open to varying interpretations, is used by us in its ordinary sense, meaning to satisfy the requirements of the subscriber as fully as time permits. The fact that we have hundreds of testimonials and receive very few complaints, is sufficient evidence of the satisfaction this Service gives.

LIFE INSURANCE
Method of Protection and Yield

We are decidedly opposed to your surrendering a paid-up policy for $5,000 for a cash payment of $3,000, for the purpose of investing in Anaconda. At your age you would find it difficult to re-insure, and if you should die next year your wife (your dependent) would only have $3,000 of securities in place of $5,000 cash (the proceeds of a "live" policy). So far as present return is concerned, it is true that the income would be about $400 per annum out of Anaconda, but it would be drawn from a semi-investment, and not an investment source. There would not be any objection to Anaconda under different circumstances.

To increase your income, we suggest that you could borrow on your policy to purchase American Locomotive pfd., American Sugar pfd., Willys-Overland pfd., American Woolen pfd., Worthington Pump pfd., "A," J. I. Case pfd., or U. S. Rubber pfd. It would be better to buy a few shares of each only. This method would increase your income with reasonable safety, and still give the benefit of life-insurance protection to your wife.

We could suggest such an operation, if your need for more income is imperative.

OHIO CITIES GAS
The Situation Summarized

We thank you for your order for a special report on Ohio Cities Gas, and although we have it prepared, we wish to go over the ground carefully, and check up the report with latest details. We depend upon your cooperation in a matter of this kind. Meantime, we give the following preliminary advice, pending the arrival of the report:

1. We are not advising new commitments in Ohio Cities Gas, if you do not yet hold the stock.
2. If you are a holder, the shares are still selling at a fairly low level, as compared with former high prices, and there is inducement for a market demonstration in the near future.
3. Ohio Cities Gas, which is really an oil utility stock, would most likely share in any broad upward movement in the oils. This latter group is in a strong position and will probably rally in the near future and in this event, Ohio Cities Gas should sell higher.
4. The stock is not a conservative investment, but an attractive speculation.
5. The writer does not consider the dividend a permanent fixture, but there are no disturbing factors on this score at this writing. The company is a growing one and will do well while oil sells high.

DELAWARE & HUDSON

A Short Analysis

In 1917, Delaware & Hudson was forced to look to its coal properties for help to meet its dividends, as was the Erie to meet its fixed charges. "Other income" for 1917 was $4,789,728 against $1,108,364 in 1916.

The Company's operating percentage was particularly high in 1917, being 78.20 against 68.00 in 1916. In 1908 the percentage was 58.44 and the previous high, up to 1916, was 66.84 in 1914.

For the first six months of 1918 net operating income was only $783,559 against $3,275,423 in 1917. In January, February and June, the monthly proportion of fixed charges was not earned. Deficits for these months were $337,688, $238,975 and $620,106 respectively. August earnings, showing the effect of the 25% increase in freight rates, were only slightly better than those of 1917, so that net earnings for the eight months were $1,831,491 against $4,278,763 in the previous year. As fixed charges and rentals aggregate over $5,000,000 per annum, it is evident that these charges cannot be met in 1918 from the earnings from railroad operations.

Strictly on the basis of its railroad operations, the company would have difficulty in maintaining its 9% dividends in normal years. This fact renders it necessary to examine the nature of its coal holdings.

Title to its coal lands is held either directly or by stock ownership of the Hudson Coal Co. In its balance sheet for 1917, the lands held directly are carried at a valuation of $17,809,672. This valuation is an advance from $14,272,695, as carried on the balance sheet in the previous two years. Definite detail as to the value of its holdings and tonnage owned are lacking, but in 1898 the estimated minable tonnage was 250,000,000. It is probable, therefore, that the company can, for an indeterminate time, continue to draw on profits from its coal business to make up for deficiencies in revenues from railroad operations.

The company also operates an electric railway system of 340 miles and a water system of over 300 miles. It controls the Northern Coal & Iron Co. and acquired in 1917 the property of the Susquehanna Coal Co. from the Pennsylvania Railroad.

The Company for many years has operated with a very small net working capital. Current liabilities exceeded current assets in 1912 and 1916. In 1917 net working capital was $784,950. On December 31, 1917, it had $1,904,311 cash in the treasury. The difference between net working capital and cash in treasury is taken up by a debit balance in other items of current assets and liabilities. For the first time, the company set up an equipment replacement reserve in 1916, amounting to $3,266,895. This reserve was increased by the amount of only $377,975 in 1917.

On the basis of its rail operations alone, we feel that Delaware & Hudson is entitled to scarcely more than a moderate investment rating. When outside operations are considered, we find an element of considerable uncertainty. At present under a regulated wage scale and coal prices, the coal business is highly profitable. There have been long periods when this has not been the case. With a return to normal, we should expect the profits of the coal department to fall off and those of the railroad proper to increase. The dividend paid seems to be high in view of the uncertainties attending the operations of the company. It is possible that the railroads will be given a fairer business chance in the future, in which case the high dividend may be justified. At present we do not feel that it is. For many years it was the custom of the company to declare dividends at the rate of 9% per annum in a lump appropriation, to be distributed in four quarterly installments. This practice has been changed, and the company now pays 2¼% quarterly. This, in our opinion, should be interpreted that the management is awake to the probabilities of dividend reductions.

CANADIAN PACIFIC

Why It Sells High

Canadian Pacific is one of the few railroads in North America of which it may be said, with full knowledge of the facts, this it is under-capitalized at approximately $623,000,000 whereas the system represents an outlay of $849,000,000. The amount of $131,000,000 obtained from surplus earnings, land sales, etc., has been expended on the property and written off without being capitalized. There was also $31,000,000 expended by the Canadian Government on the property before organization and turned over to it.

Gross operating revenues for the year ended December 31, 1917, $152,389,335, were record breaking. They compared with $129,481,886 for the year previous. Net operating revenue, however, was $46,546,018 against $49,225,920. Its percentage of operating expenses to gross was 69.45 against 61.98. Gross revenues for the first seven months of 1918 are approximately the same as those of last year, $84,386,451. Net revenues, before deducting taxes, were only $16,876,996 against $24,757,455.

At organization, the Company received a land grant of 19,917,386 acres, which has been increasing in value. In 1917, 789,055 acres were sold for $14,330,811 (an average of $18.16). Irrigated lands brought $45.99 per acre, and the average price of the unirrigated lands was $15.92. Included in the outside operations are a fleet of 90 ocean, lake and river steamers, of which 61 are in ocean and postal service; a chain of hotels, elevators, parlor and sleeping cars. It also conducts its own express, telegraph and news service.

Net working capital is $43,425,992; ($31,424,894 in cash). Reserves, mainly for depreciation of equipment, amount to $33,227,911.

Notwithstanding the comparatively high price at which the stock is selling in comparison with many rails in the United States, we believe the Company's future and equities justify it as a purely investment proposition.

RAILROADS AND INDUSTRIALS

Is St. Paul Near the Turn?

The Outlook—Its Past and Present Record—Physical Factors—Increased Maintenance—Good Prospects—Investment Ratings of Bonds and Stock

By J. FREDERICK TRACY

THE question of what will become of the railroads is still unsettled. Just before sailing for France, President Wilson told Congress that it was imperative that something be done at once in this connection, but that he had no idea as to just what that something was. He left it for Congress to decide.

Hardly had he left our shores when Director-General McAdoo proposed to Congress that the Government continue its control over the railroads for at least five years, stating that the President approved of this plan.

The St. Paul has for years been considered one of the premier trans-continental lines of the country. Its securities long enjoyed a high rating among the rails.

Why Earnings Have Varied.

St. Paul's earnings from 1909 on have fluctuated widely. In 1917 the gross income advanced materially, but due to increased operating and maintenance costs the net earnings show a big decrease from 1916. The combination of reduced outside income and increased taxes left a much smaller balance applicable to fixed charges than previous years had shown. Fixed charges also showed an increase over 1916.

The result was that the surplus for dividends was so small that it equalled less than 4% on the outstanding preferred stock, and while the 7% dividend on the preferred stock and the 4½% dividend on the common stock were paid in 1917, it was necessary to make up the deficit from the profit and loss account. For the ten months ending Oct. 31st, 1918, the total operating expense showed a greater increase over the corresponding period in 1917 than the operating revenue, with a resultant decrease in the net operating income.

The main contributing factors to the large increase in ratio of expenses to gross have been the enforced wage increases and the higher costs of all classes of materials, and partially the electrification of the line from Othello to Seattle and Tacoma commonly known as the Puget Sound line, which was completed in 1912.

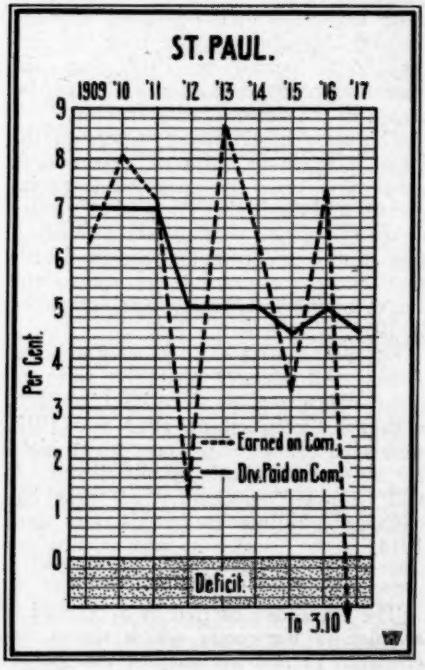
By referring to the second graph the reader will observe that the ratio of maintenance to gross since 1909 has been, with the exception of 1912 and 1917, somewhat below the per cent which highest railroad standards usually dictate. It will be noted, however, that there has been a steady increase in this ratio since 1914.

A Rising Train Load

The train-load carried by a railroad is a splendid barometer which shows the efficiency or non-efficiency of the operating management of the company. In this respect St. Paul has shown a steady growth since 1911, as will be observed from the table herewith, which is indicative of a steady improvement in its operating management. It means, too, that the volume of business of St. Paul has been on the increase. That the road expects, and is preparing for a still further expansion of business is evidenced from the fact that it was recently authorized by the Railroad Administration to con-

struct 5,000 freight cars in its own shops and also to purchase 50 heavy Mikado engines at a cost of $58,800 each.

No dividends have been paid on either the common or preferred stock this year. Last year the usual 7% dividend on the preferred was paid, the common stock dividend being reduced to 4½%. The reason for the holding up of St. Paul's dividends this year has been the disputed adjustment of its annual rental under Government control. Under the terms of the unsigned contract with the Government, St. Paul is entitled to a little over $4 per share on its common stock after payment of 7% on the preferred. If the contract is signed in the near future—an occurrence which we doubt—it might be that dividends would be resumed. The first graph indicates the earnings on the common stock since 1909 as well as the dividends paid.



Both the preferred and common stocks have been selling this year far below former years. But in spite of this fact, it would appear to be a good time to buy the stock from the long-pull speculative point of view. The road has been passing through a stage brought about to no little degree by what might be termed lack of foresight on the part of its former management, in not preparing more adequately for times of stress. The war, with the attendant upward flight of prices of labor and commodities, has seriously interfered with its progress.

But conditions are now changing. The new management which took charge some time ago has continued the policy of heavier maintenance appropriations begun in 1915. Increased rates have somewhat offset increased wages, though this offset can only be figured from June 1st, the date on which the increased rates became effective, and finally the "past performance" of St. Paul must not be overlooked. The long period of prosperity which St. Paul has enjoyed should not be overshadowed by a few poorer years under adverse conditions.

Rating of St. Paul's Bonds

We will now consider the merits of some of St. Paul's bonds. As a general proposition, due to the present unsettled state of railroad affairs, we prefer bonds to stocks when any question of desirability from an investment point of view is involved. And this holds true today of St. Paul's stocks and bonds. In the past there has never been any doubt as to the dependability of bonds issued by this road, and indeed it would not be fair to say that there is any now. But with the atmosphere of uncertainty which pervades everything pertaining to rails these days, it is wise to pick and choose in order to select the best.

The General Mortgage Gold bonds due in 1989 and all prior liens thereto, namely, the La Crosse & Davenport 1st 5s due 1919, the Wisconsin Valley 1st 6s due 1920 the Dubuque Division 1st 6s due 1920, the Chicago & Pacific Western Division 1st 5s due 1921, the Wisconsin & Minnesota 1st 5s due 1921, the Chicago & Lake Superior 1st 5s due

1921, the Fargo & Southern 1st 6s due 1924, and the Chicago & Missouri River 1st 5s due 1926, constitute in the writer's opinion the cream of the St. Paul bonds.

The General Mortgage bonds have always enjoyed the very highest rating from an investment standpoint due to the high valuation of the railroad lines upon which the mortgage is secured. Including the prior liens they are outstanding at the rate of $22,767 per mile.

By 1926 all of the prior liens will have matured, leaving the General Mortgage bonds a first lien upon the entire 6,364 miles of road covered by the mortgage. Their equity is ample in that sufficient of the General & Refunding Mortgage bonds of 2014 have been reserved for their retirement at the date of maturity. The General Mortgage series "A" 4% bonds have been selling at a price to yield about 5.10%; the series "C" 4½% bonds at a price to yield about 4.66%.

All of the underlying divisional bonds previously mentioned which precede the General Mortgage bonds, are direct liens upon valuable portions of the road. They have all had their retirement provided for in one or the other of either the General Mortgage of 1989 or General and Refunding Mortgage of 2014. Inasmuch as all of these bonds will be retired within eight years' time, beginning in 1919, when the $2,500,000 of the

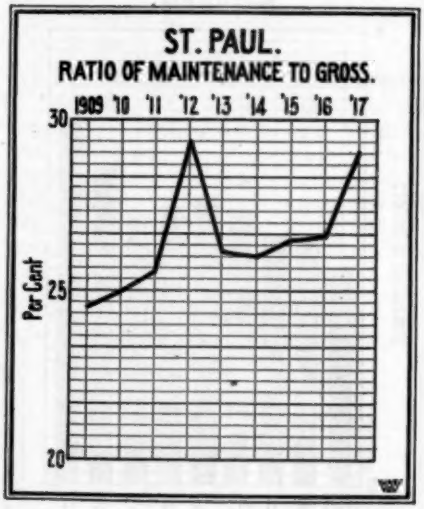
CHICAGO, MILWAUKEE & ST. PAUL RAILROAD

AVERAGE TRAIN LOAD (IN TONS)

1909	321
1910	276
1911	275
1912	288
1913	357
1914	380
1915	390
1916	425
1917	468

La Crosse & Davenport Division bonds will mature, it appears to us that they would make a good investment for a short period of years.

Of the other St. Paul bonds, those offering a greater yield, the Chicago, Milwaukee & Puget Sound 1st Mortgage gold 4s of 1949, seem to occupy the best position. They have been sold recently at a price yielding about 5.40%. They represent a first lien on the entire Puget Sound line, which is under process of electrification, as well as certain terminal



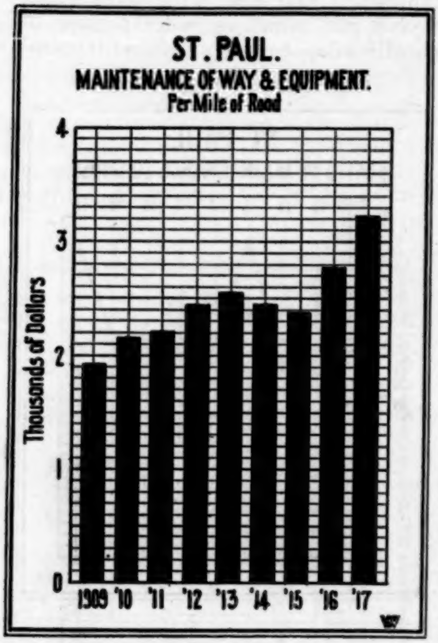
properties in Seattle, Tacoma, Butte and Superior. They take precedence over the General and Refunding Mortgage bonds of 2014 and provision is made in that mortgage for their retirement at maturity.

I am rather more optimistic on the railroad outlook than many others are. The St. Paul should come through the "unscrambling" process satisfactorily. It traverses a rich grain and timber country and also carries a high percentage of mine products. Contrary to some opinions, the Puget Sound line is a boon rather than a burden to it, and is a great source of revenue. From all reports, business in the Northwest is looking up and the prospects, all things considered, appear to be pretty good.

Preferred and Common Stocks

In 1901 the preferred stock sold at 200, advancing ¾ of a point in 1902. It sagged somewhat during the next three

years, but in 1906 climbed to its highest peak at 218. In 1907 it dropped to 165½, fluctuating in that neighborhood



until 1912, when it went to 146. In 1914—the year of the outbreak of the European war—it went to 143 and declined slowly until our entrance into the war in 1917, when it experienced a sharp drop, due to the uncertainty of the outcome, which affected everything. Today it is selling at 75¾, nearly one-third of its highest point in 1906, and averaging about one-half its more recent prices. The fact that this stock is selling at such a low level, with the road in excellent condition under the new management, and covering a rich and fertile territory, lends weight to our statement that it is a good long-pull speculative investment.

Much the same story can be told about the range of the common stock. It sold at 188 in 1901, reached its highest point of 199⅝ in 1906, holding well up until 1917, in which year it broke to 92. It can be bought today around 42, less than half what it sold for last year and averaging about one-quarter its former price over a number of years.

In summing up we find the situation about as follows: The preferred stock selling at its present price would seem to be a good buy as a long-pull speculation. This, in spite of the tangled condition of railroad affairs. The more efficient management of the road in latter years; increased rates since last June; increased ratio of maintenance to gross; new equipment and better train loading, coupled with indications of prosperity in the regions covered by the St. Paul, all tend to bear out this theory.

WHAT SHALL WE DO WITH THE RAILROADS?

THE railroads have been scrambled into one mess, and the difficult question of unscrambling them has come up. What shall be done with the railroads in the future? Shall they be returned to their private owners and how? Shall the government continue their operation for the benefit of their owners, or shall the railroads hereafter become governmentally owned?

It is plain that if they are to be returned to their owners it cannot be done on the basis existing in pre-war days. Therefore some radical changes in the existing laws must be made. The anti-trust law, for instance, may have to be amended so as to eliminate competing but unnecessary lines. If, on the other hand, government ownership is decided upon, what shall be the measure of remuneration; how shall it be determined, and how shall the funds necessary, be raised to pay the owners of these properties? These are the problems, and as yet no practical solution has been offered by anyone nor has any been suggested. It is no wonder that even the President of the United States should turn the subject over to Congress.

—*Investment News of Chicago.*

The Romance of American Sumatra

Remarkable Growth in Two Years—Earning Power and Equities for the Common—Its Business Outlook—Stock's Position

By A. U. RODNEY

"NOTHING succeeds like success" is an old adage and a true one. Just as true, is the saying that "Familarity breeds contempt." Both are decidedly applicable to American Sumatra, although from different angles. That American Sumatra has been remarkably successful in every way, particularly in the last two years, is evident from a glance at the record of the stock in the market, on the one hand, and its phenomenal business prosperity on the other.

From an obscure and unheralded position on the curb, to the speculative spot light on the Stock Exchange in a year, is the record of this even now slightly known tobacco stock. Greatly watched but little digested, this remarkable activity is taken as a matter of course by a calloused speculative community "fed up" by unusual stock gyrations in the past three years.

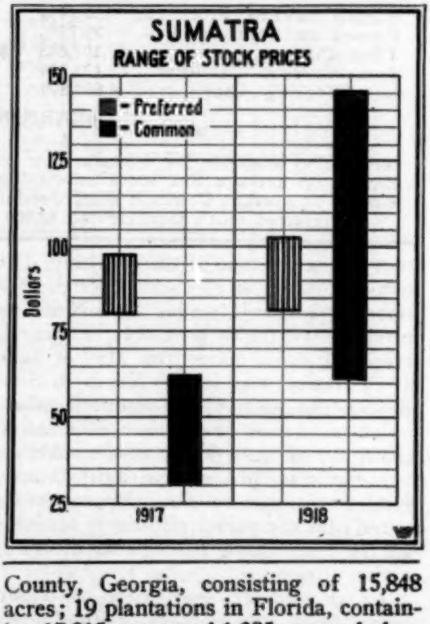
Since the distribution of the 15% stock dividend, the stock seems to have settled into a trading position, going through a more or less "backing and filling" process. From a maximum rise to 145⅞ the stock has now declined below par and at this level seems to be holding its position fairly well.

What is the next move, stockholders would like to know? What attitude are shareholders to take towards their issue? Has the best been discounted both for the present earnings and the earning power likely to develop in the near future, or has the remarkable growth of the company been merely a forerunner of even greater expansion to come?

Undoubtedly the big money in Wall Street is made, not in securities of properties with a limited maximum growth, but in companies which have a sound foundation and in addition unlimited possibilities for the future. Does the American Sumatra fit the latter qualification? Let us see.

A First Hand View of the Property

In June, 1917, when American Sumatra was still an unknown quantity, the writer had the opportunity to visit its Connecticut properties. To reproduce the physical aspects of the lands, although highly interesting, would be beyond the scope of an article of this sort. The property of the company comprises four plantations in Amsterdam, Decatur



County, Georgia, consisting of 15,848 acres; 19 plantations in Florida, containing 17,915 acres, and 1,385 acres of plantations in Connecticut and Massachusetts. With this acreage, there is included well kept and well distributed packing houses, ware houses, machine shops, dwellings for superintendents and labor, large barns for storing tobacco and other need-

ed appurtenances, for the operation of its business.

The selection of the properties in Massachusetts, Connecticut and the South was made, of course, with a well defined purpose in view. In the North, particularly in the Connecticut district, the famous American "shade-grown" is produced. This tobacco is of the highest grade, and is used for the purposes entirely different than that grown in the South. Tobacco costs a great deal to produce here, because the land is extremely expensive and because a great deal more care and skill is required in turning out the finished product than elsewhere.

The Southern properties serve their purpose and from them is derived a large plant. One of the interesting policies of the company is that of instead of purchasing properties and having unprofitable land on its hands, tobacco growing farms are leased for period of from one to five years from plantations in Connecticut and unless a profitable return on the investment is made in the shape of substantial growth of tobacco, the leases for the next period are not renewed.

TABLE I

VITAL STATISTICS ON SUMATRA FOR 5 YEARS

	1918	1917	1916	1915	1914
Earned on Pfd. Stock....	*110.24%	101.96%	26.61%	49.91%	25.70%
Earned on Com. Stock...	29.75%	13.96%	2.88%	6.31%	3.11%
Total Current Assets	$7,107,633	$3,668,151	$3,060,502	$2,405,733	$1,871,651
Total Current Liabilities..	2,423,734	331,769	430,449	1,014,871	676,595
Net Working Capital	4,683,899	3,336,382	2,630,053	1,390,862	1,195,056

EARNING POWER

	1914-1918	Annual Average
Net profits available for 4 years...........................	$4,206,534	$841,307
Earned on average Pfd. stock outstanding ($1,920,700)...	352.70%	70.54%
Earned on average Common stock outstanding ($6,642,780)	57.04%	11.41%

* Preferred stock increased to $2,000,000.

part of the revenue of the company. The tobacco grown in Florida, although of a poorer grade, enjoys a big demand and its production is highly profitable. Since the crop in Florida matures in May or June at the latest, and in the North in September, the company is assured of tobacco on hand most of the time, eliminating costly lay-offs and delays. So in addition to producing two of the most desired grades of tobacco, the company is assured of a comparatively steady business all the year round, through its diversification of acreage.

In an organization where it would seem almost impossible to maintain any degree of system, American Sumatra executives have built up an organization that is worthy of commendation. The crops are "set out," grown, dried, sorted and marketed with a degree of efficiency that would do credit to a manufacturing

In Retrospect

In order to obtain a correct estimate of the future, it is interesting to review the early situation in American Sumatra itself and in the field for its products. No earlier than eight years ago, the tobacco trade was generally of the belief that it would be suicidal to attempt to compete with foreign growers in the domestic field. Foreign growers were obtaining a high price for their product, but as far as could be seen then, the prospect of competition from this end was a dismal one.

It was just at that time when Mr. Julius Lichtenstein, the president of the present American Sumatra Company, decided to try out his much cherished theory that a good tobacco at a lower price could be grown in this country. Mr. Lichtenstein, who even at that time was one of the shrewdest men in the tobacco industry and probably the best known man in the trade in the Connecticut district, formed a merger of several tobacco companies and incorporated the American Sumatra Tobacco Company on February 12th, 1910, under the laws of Georgia. The plantations of the Florida

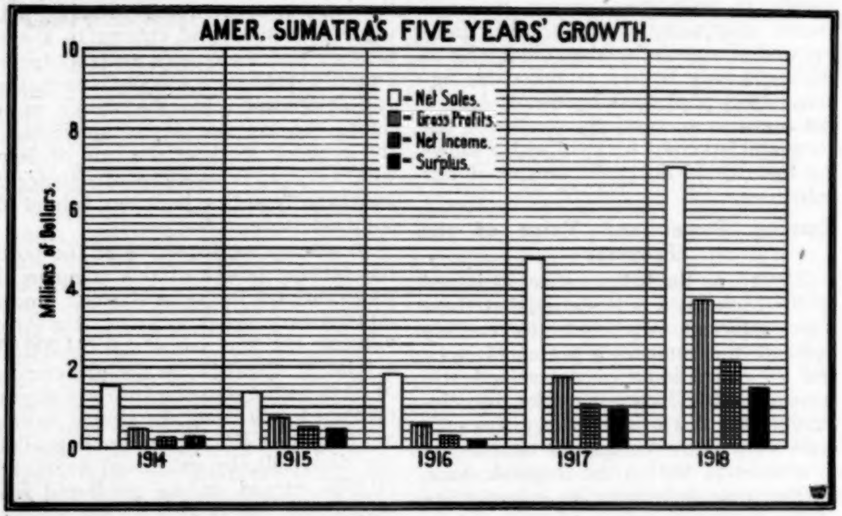
Tobacco Company, Kraus, McFarland Company, Taussic & Company, Wedeles Brothers, Schroeder & Arguimbau, the Wilson Tobacco Company and Mr. Lichtenstein's own company were included.

Contrary to the usual procedure when a merger of this sort is effected the proposition at the start was conservatively capitalized. One million dollars in preferred stock was sold and the proceeds put in the treasury. The various planters were then required to take cash for their stock of tobacco only. The common stock of a hundred dollars par value was issued for the plantation, equipment, live stock, etc. Of the $6,800,000 in common stock issued at the start almost half represented actual tangible assets. It can be seen, therefore, that the policy pursued at the very start was one of conservatism, the chief object being the development of the business and not the exploitation of the company, as, sad to relate, is only too true in innumerable instances.

Real Start in 1914

Not discouraged by the many hard knocks, experienced in the early years, the little company ke^t continuously at it, spending about four non-productive years in preparation. Old stocks of tobacco were disposed of, new methods of planting, marketing and managing tried out, until in 1914 a workable balance was struck. In that year the company had a surplus of $208,318. In 1915 things took a turn for the better and at the end of the year a balance of $429,134 was left after paying preferred dividends amounting to $70,000. Due to the outside conditions, the 1916 year was a poor one, and after paying the preferred dividend only 2.88% was left for the common stock.

Coincident with the market activity of the stock, the 1917 year put the company on its way to big returns. In that year net sales took a jump from $1,823,702 to $4,758,413. A net income of $1,019,608 was shown against $266,153 for the preceding year, which reduced to the last equation resulted in 13.96% being earned on the common stock, against the 2.88% in the preceding year, and against the little over 6% in 1915 and 3% in 1914.



The good showing, of course, was due to the good crops obtained and more especially to the exceedingly high prices obtainable because of the almost complete stoppage of imports of this kind of tobacco. The great year is the one just past. The factors that entered into the making of 1917 a banner year became even more forcibly effective during the past year, so that at the end of the 1918

year the company showed 110.24% earned on the preferred stock and 29.75%, or more than double the preceding year, on the common stock.

In the 1918 year the net sales of tobacco were $7,041,295, against $4,758,415 in 1917, and the net income was $2,164,655, or more than double, and this after charging off the excessive amount of $1,000,000 for taxes and contingencies.

It must be borne in mind that this remarkable showing was made in spite of the many unfavorable factors that entered into the producers' costs. The situation in that respect, while bad enough in 1917, was decidedly aggravated during the following year. Fertilizer, vitally necessary in this business, was bought at prohibitive prices; the well known labor situation was another problem and cheese-cloth, when obtainable at all, could only be had at ridiculous figures. In spite of these handicaps American Sumatra successfully weathered the storm and has come forward with a showing that would do credit to any of our industries.

Earning Power and Value of the Property

In 1917, on the balance sheet as issued by the bankers, it was shown that there were sufficient net assets to entirely liquidate the company's preferred stock and its entire issue of notes, and still leave about $17.50 per share for the common stock. A further conservative estimate showed the company's total assets to amount to $62 on the common stock. At that time in making an investigation of the company's affairs, I prepared an estimate of the balance sheet, and with the utmost slashing, admitted even in my own mind to have been somewhat ridiculous, final assets behind the common stock were figured at nearly $40 a share. Equities have so increased during the past year, however, that the foregoing may be of little value. It is only stated here to show in what a strong position the company was a year and a half ago when the era of its prosperity was just dawning.

The balance sheet as of July 31st, 1918, showed quick assets totaling $5,310,888, which leaves out of account growing crop expenditures at that time of about $1,500,000. The bulk of inventories and receivables are converted into cash by this time, so that the total amount would be sufficient to pay off the debt of $2,383,000 and leave over $4,000,000 of net working capital. The company's cash position is a remarkable one, in that sufficient cash (including Liberty Bonds) is available to pay off all of the outstanding three-year gold notes that come due on January 15th, 1919, and leave a good cash balance in the bank.

According to the latest balance sheet, the net tangible assets applicable to the common stock amounted to $8,975,824, or at the rate of about $132 per share on the common stock outstanding. Going through our usual process of taking nothing for granted and cutting to the utmost on stated amounts, such, as for example, inventories, amount charged off for equipment, etc., the writer cannot figure the tangible assets applicable to the common stock at the rate of below $100 a share. This shows at a glance the enormous equities built up behind the common stock in one year.

In attempting to arrive at the potential earning power of this company, let us go through the same slashing process. Approximate net profits available for dividends for five years was $4,206,534, a total of 352.70% on the preferred or 57.04% on the common for the five years combined. Striking an annual average we find $841,307 of net profit available for dividends, or an annual average of 70.54% earned on the preferred stock outstanding, or 11.41% on the common. Assuming no further increase in either preferred or common stock, and discounting to the fullest degree such extraneous but important factors as the expected lowering in prices for the product and the degree to which this will be offset by expansion of business and lowering in costs, the company should be able to show over a series of years earnings at the rate of from $12 to $14 per share on the common.

The Business Outlook

As soon as pioneers in any endeavor establish that their proposition is a success, competitors are not slow in com-

ing into the field. Although some domestic competition is bound to develop—and for that matter there are a few small successful companies already in the field—American Sumatra has not much to fear from this direction. In this field more than any other it takes a long time to develop a successful proposition, despite the fact that the experiences of a pioneer predecessor is at the disposal of such competitors.

The foreign field, however, is a different proposition. Active competition with the real Sumatra tobacco may be expected as soon as shipping conditions will allow the product to be transported to this country. Furthermore, it is assumed that during the last two years, when water transportation was practically cut off from foreign sources, growers in those fields have stored extra quantities of this tobacco and may logically be expected to push the product on the market, even at reduced prices. This factor, of course, is a temporary one, at the best, and should not be given too much weight in making our estimate of the future, and by the future it is meant a period of years. The American "shade grown" producers have had an extraordinary opportunity to introduce their product, and have taken advantage of it. With the firm footing the American product now has in the present field, it will take a good deal to shake it loose. Furthermore, it must be borne in mind in this connection, that the foreign product will be heavily taxed and therefore will have to bring a high price. However, not more than one-third of American Sumatra's production actually comes in competition with the Sumatra grown leaf.

Facilities for expansion are undeniably large. Only a small percentage of the acreage owned is under actual cultivation for tobacco, a still smaller percentage produces farm products, used for the most part in the company's own commissary. Out of a total acreage of 35,000 acres, not more than 5,000 acres are under cultivation, and at least five to ten thousand acres more of the uncultivated land is just as suitable for planting as that under cultivation. So that as fast as the market will allow additional acreage can be planted to take advantage of that market.

It is very seldom mentioned and less known that a very important branch of the company's business consists of trading in tobacco. That is the purchase of the leaf from the farmers and its resale. Under an efficient management, despite the competition in this field, the profits derived from this branch are large.

Position of the Stock

Summing up our observations, it is evident that the preferred stock is in a sound investment position. With the common stock on a 10% per annum basis, the annual dividend requirements for that issue amount to $783,598 on the now outstanding issue of $7,835,985. Take the normal earning power, figured at from $12 to $15 a share on the common and the very good possibilities that this can be substantially increased by the lowering of the cost of production, the stock seems fairly secure on its 10% annum basis.

From a market standpoint, it must be taken into consideration that with the stock even at its present levels, showing a decline of over 50 points from the top, there has been an appreciation in market value for the common stock of almost 400%. In light of the extraordinary accomplishments of the company during the past two years, this selling price of the stock is probably justified.

From an investment standpoint, however, while equities are a big factor, proven ability to earn a given amount consistently is a factor just as great, and this, of course, the company cannot claim as yet. Taking everything into consideration, it is my opinion that the common stock can be classed as a speculative investment, with good possibilities for the long pull.

American Sumatra has made an excellent beginning, and while it must be expected that good times and bad are bound to affect this company as well as any other, its foundation is sound and its growth should be steady. Leaving technical market considerations out of the question, the stock should maintain and is worth its selling price of about 95, discounting even, a fairly large drop in earnings for the coming year.

Intimate Talks to Investors

What To Do With B. R. T. and Interborough Securities

By RICHARD D. WYCKOFF

THIS period of readjustment affords a splendid opportunity for the shrewd investor to select securities which have been depressed in price owing to influences which are either sympathetic or transitory. The rapid switching from peace to war and from war back to peace again has resulted in some very remarkable changes and one has only to look ahead a year or two and he will observe many ways in which his future income can be augmented.

Take the local traction situation. Interborough and B. R. T. securities have been depressed not so much by what has happened, as by the fear of what may occur. These stocks and bonds were undoubtedly held by people who also owned Third Avenue and Hudson & Manhattan securities and the influence of declining markets in the former has induced scattered liquidation in the other two.

It would be well for holders of Third Avenue and Hudson & Manhattan bonds, incomes and stocks, to remember that weakness in one company cannot put another into a receivership, although it might cause a sympathetic decline. This can be turned to good account if the unfortunate holders of the weak stocks, bonds and notes, will convert their holdings into those which are sound and stand squarely on their own feet in spite of the fact that they are doing business in the same municipality.

No matter what happens to the two big properties, Hudson & Manhattan will not be dragged down except in market quotations. We have frequently described the Hudson tube system, its solid foundations, its growing earning power, and future possibilities. The company has been accumulating a reserve fund, setting an original mark of one million dollars for this purpose. After it accumulated the million it kept right on putting money into the reserve fund. A company that can set aside money in these times is doing pretty well in my opinion. But this is not all.

Hudson & Manhattan is an inter-state road, running under the Hudson River to Jersey City and Hoboken thence out to Newark—a matter of six miles. It is a completed proposition, and carries 71,000,000 passengers per annum. For the trip from downtown, New York, to Newark, about seven miles, it receives 33 cents, round trip. From Jersey City to uptown, New York, seven cents, and to the downtown terminal, five cents. I am reliably informed that the downtown fare will shortly be increased to seven cents, which would make a very great difference in both gross and net earnings. Beside its railroad business the company has an income from its mammoth twin skycrapers situated at the Manhattan end of the tubes in the heart of the downtown district. It is hard to imagine a more substantial, permanent or safer enterprise than Hudson & Manhattan.

But since this weakness has developed in the Interborough and B. R. T. securities, Hudson & Manhattan Refunding 5s have shrunk in price to around 55 against a former price of 69¾ which represents a shrinkage of about 21% of their high price, although the situation in this company's affairs has been steadily improving. H. & M. Income 5s have declined to around 17, although before the war they paid 2% and will undoubtedly resume payments at this, or even a higher rate, within the next year or two.

It would be well for holders of Interborough and B. R. T. Co.'s notes, preferred and common stocks, to convert their holdings into Hudson & Manhattan Refunding 5s, and Incomes. The former at precent prices yield 9.3% on the investment if held till maturity, and a flat rate of 9.09%. Not only will the Refunding bonds eventually receive better recognition as to their investment merits,

but so far as human judgment can see the future, they must sell at a higher price. As conditions return to normal the Incomes should resume their 2%, then gradually increase it until they finally reach a level two or three times what they are now selling for.

* * *

Investigate First

A subscriber writes: "Please give me some information about Columbia Gas & Electric Co. I intend to buy some of this issue."

This man has the wrong attitude on a matter so important as the selection of a security. He has evidently reached a decision to buy, but merely as a matter of interest, or perhaps curiosity as to what we will say, he writes us.

An investor should not at the outset prejudice himself either for, or against, a stock or bond but should make a list of the securities best adapted to his individual requirements, and after investigating all of them select the one or the few which are in the strongest and most promising position.

Investigate first, and *then* decide.

Another subscriber tells us that he has four stocks about which he appears to be concerned. One of these he says he was "advised to hold for a long pull. I did. The pull was too long. The rope broke, so I must be helped on my feet."

You are on your feet whenever you have a sound dividend-paying stock, although the price for the time being may indicate a paper loss, and if you have paid for your stocks you can always take advantage of a depression and use the certificates as collateral with your bank or your broker and buy more of the same security at the reduced figure or another stock or bond which is even better.

* * *

New Year Resolutions

This being the time of year when you lay your plans for the coming twelve months, go over your 1918 record and see what kind of mistakes you have made so that they may be avoided during the coming year. One way to do this is to look over your financial transactions and set down, if you can, from memory, the reason why you bought or sold in each case, and whether subsequent events have proved your reasons sound.

In making your 1919 plans you might provide yourself with a book which will contain a space for recording just why you bought or sold and alongside of it another space for a record of results. This will be much better than depending on memory. In every one's transactions certain glaring faults stand out, such as improper investigation, lack of patience, dealing on tips, being governed by fears, etc. We cannot perfect our methods unless we study our faults, then find ways to avoid them.

SUGGESTIONS FOR INVESTORS

IT is the lot of a very few people only to be able to catch the exact bottom and top prices in any movement and they generally strike the happy point through mere accident. Therefore buy when securities are cheap without attempting to find the exact bottom, and if you are not a long pull holder, sell when prices are so high that the income return is somewhat lower than a normal return on the money.

Don't let your fears and blue newpaper talk get the better of your judgement. Securities of the very best type go down with the others. If you know your company to be sound and well able to meet its debt, stick to your holdings.

Examine into the merits of an industrial security much more carefully than into a railroad security, no matter what banking house offers it. There are certain standards of measurement that fit railroad securities which make them more easily judged than industrials. The bankers themselves sometimes make serious mistakes in judging industrial bonds and stocks.

The Durant Motors

General Motors, Chevrolet, United Motors Analyzed—Growth of the Truck and Tractor—Peace Time Prospects

By HAROLD T. JOHNSON

NOTWITHSTANDING the prominent part which has been played by the General Motors properties in producing shells, Liberty Motors trucks, and other war products since April 1917, the Durant-du Pont management has succeeded, too, in carrying out plans, projected before our entry into the world conflict, rounding out the General Motors system corporately and physically for peace operations.

This expansion policy has been prosecuted unostentatiously; and as a rule but vague ideas prevail as to the organization, capitalization, and earning power of this dominating factor in the American automobile industry today.

A bird's-eye view of the General Motors organization, as it will be after the formal absorption of the United Motors units, may be had from the diagram which is presented herewith. From this it may be noted that the General Motors Corporation is shortly to represent the following activities in the automotive industry:

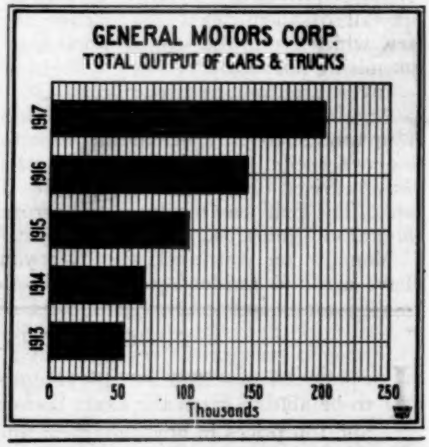
the manufacture of passenger motor cars,
the manufacture of motor trucks and delivery wagons,
the manufacture of standard type parts and accessories used in motor vehicles,
and the manufacture of motor-driven farm tractors.

Organization

The former General Motors Co. (of New Jersey) developed its five motor vehicles, the Buick, Cadillac, Oldsmobile, Oakland, and GMC truck, to an aggregate output of over 200,000 a year by 1917, with extremely profitable results. It became the largest maker in the world of automobiles which sell for $500 and over. Shipment of the company's product abroad has in more recent years assumed important proportions, and the General Motors Export division has become an active unit.

Last spring the manufacturing business of the Chevrolet Motor Co. was purchased and became a General Motors department, adding the Chevrolet car (of which 125,000 were made in 1917) to the list mentioned above. Indications are that before long the Scripps-Booth will become a direct General Motors product.

Following the purchase of the Samson Sieve-Grip Tractor Company of Stockton, Cal., in 1917, tractor manufacture in the past 18 months absorbed a deal of General Motors' executive and engineering thought, and 1918 saw the purchase of the Janesville Machine Company (Wisconsin) a farm machinery company, with thirty years of successful operation to its credit.



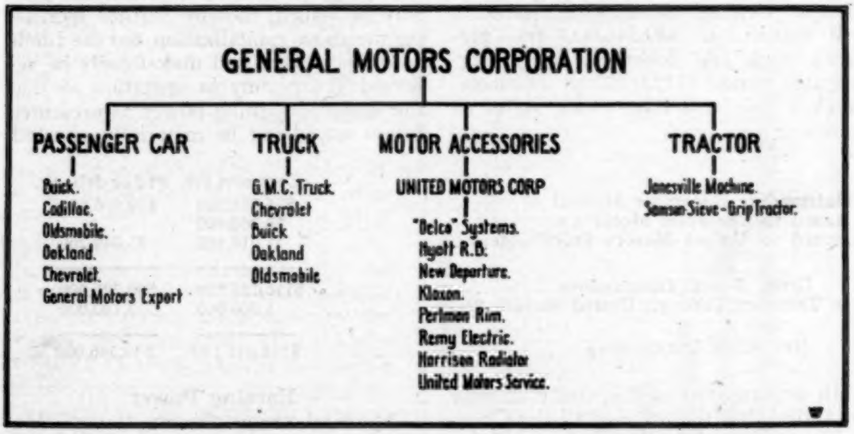
At these tractor plants, will be concentrated the manufacture of the Company's motor-driven farm tractors, of which three models have been devised, selling respectively in the $450, $65C, and $950 classes.

The year 1917, too, marked the entry of the Buick, Olds, and Chevrolet companies into the manufacture of light delivery trucks, supplementing the GMC truck.

A few months ago the latest step of expansion was taken in the offer to purchase the United Motors Corporation by issuance of $11,016,400 General Motors common stock and $33,049,200 preferred stock.

The United Motors Corporation was a Durant consolidation in 1916 of motor accessories and parts companies. It comprises at present:

The Hyatt Roller Bearing Co., Harrison, N. J.
The New Departure Mfg. Co., Bristol, Conn.
The Dayton Engineering Laboratories Co., Dayton, Ohio.
The Remy Electric Co., Anderson, Ind.
The Perlman Rim Corp., Jackson, Mich.
The Klaxon Co., Newark, N. J.
The Harrison Radiator Co., Lockport, N. Y.
The United Motors Service Inc.



All of the United Motors operating units are profitable concerns and standard in their lines, except perhaps the Perlman Rim Corporation, which was bought for its patents in the freely litigated demountable rim situation.

The United Motors Corporation has not yet been merged into the General Motors Corporation. Its stockholders accepted the offer to exchange their stock for General Motors stock on the terms of ten shares of United Motors for one share of General Motors common stock and three shares of preferred. Later it was found advisable, in order to avoid complications caused by the insertion in the application to the Stock Exchange to list the original General Motors Corporation preferred stock that "any additional preferred stock should be designated as second preferred stock," to authorize an issue of 6% debenture stock, exchangeable for preferred stock, share for share, instead of issuing additional preferred stock for the United Motors purchase.

It is not unlikely, however, that United Motors stockholders who so desire (if further authorization is not sought) may receive General Motors preferred stock, such stock becoming available by the exchange for the debenture stock of preferred stock held by the controlling and other interests.

Suffice to say, that, in accordance with plans known to have been long in the mind of the dominating figure in all three companies, W. C. Durant, early 1919 at the latest will see the General Motors, Chevrolet Motor, and the United Motors integral parts of the one big com-

pany, the General Motors Corporation, devoted to the manufacture and sale of automobiles, motor trucks and tractors, and accessories.

Other units in the present General Motor system are such parts makers as the Northway Motor Co., the Central Forge Co., the Saginaw Malleable Iron Co., and others which contribute fabricated materials to the manufacturing units.

Capitalization

With the absorption of the United Motors Corporation, the capitalization of the General Motors Corporation will consist of $49,546,000 6% preerred stock and debenture stock (aggregate) and $115,098,100 common stock. This will have come about as follows:

of United Motors stock which by the terms of the Chevrolet purchase passed to the General Motors Corporation. Assuming the actual exchange of General Motors stock for this United Motors stock on the terms of the United Motors purchase, 10,600 shares of General Motors common and 31,800 shares of preferred will be in the General Motors treasury.

In addition, it may be noted, that the General Motors is known to have an ambitious program of improvements to be made at its various plants. To finance this program additional common stock may be issued, thereby further increasing the above capitalization, but the funds from such issue will undoubtedly be reflected in economy in operation so that the study of earning power as presented below would not be materially affected.

	Common stk.	Pfd.or deb.stk.
Outstanding December 31, 1917	$76,873,300	$19,676,800
Issued to Chevrolet Motor Co.	28,268,400	....
Issued to United Motors Stockholders	11,016,400	33,049,200
Gross Stock Outstanding	$116,158,100	$52,726,000
In Treasury Through United Motors Stock	1,060,000	3,180,000
Net Stock Outstanding	$115,098,100	$49,546,000

In explanation of the above, it may be stated that the price of all the Chevrolet assets, other than the certificate for 450,000 shares of General Motors common which it held in its treasury, was 282,684 shares of General Motors common stock. This transaction gave Chevrolet, after the transfer of its automobile business and its other assets, as its sole remaining asset 732,684 shares of General Motors common stock, after the distribution of which to Chevrolet stockholders in the ratio of one and one-seventh shares of General Motors common for every share of Chevrolet, the dissolution of the Chevrolet Motor Co. may be effected.

One other point of explanation may be mentioned in connection with the $1,060,000 common stock and the $3,180,000 preferred stock which, from the above table, will turn up in the General Motors treasury. Included in Chevrolet's assets were 106,000 shares

Earning Power

Those who remember the General Motors Co. of New Jersey of only slightly over two years ago with but $14,985,200 7% preferred stock and $16,511,783 common stock outstanding and who haven't followed the rapid developments since may well wonder as to the earning power of the General Motors Corporation with a capitalization as shown above of $49,546,000 preferred stock and $115,098,100 common stock.

In the first place it will be also remembered that in 1916 the General Motors Co. earned $168 a share surplus in twelve months' operation, and its stock soared to and maintained a record price level on the New York Stock Exchange (only exceeded by the fleeting quotation of $1,000 a share made by Northern Pacific on the memorable occasion in 1901). The General Motors Co. stock, then, in the fall of that year was exchanged for General Motors Corporation stock on the basis of

five shares of Corporation common for one share of Co. common and one and one-third shares of new 6% preferred for every share of old 7% preferred.

Let us see on the record of actual past performance what earning power is represented for the enlarged capitalization of the General Motors Corporation.

The surpluses available for preferred and common dividends of the General Motors properties from 1911 to 1917 (fiscal years ending July 31) were as follows:

Year	Net Income
1911	$3,316,251
1912	3,896,293
1913	7,459,471
1914	7,249,733
1915	14,457,803
1916	28,789,560
1917	24,780,916

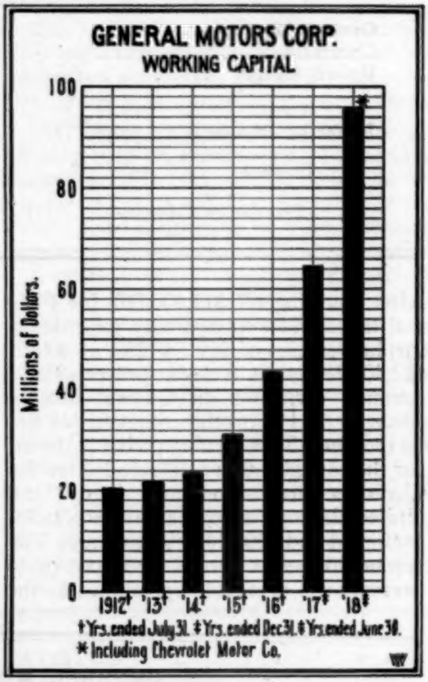
In the five months ended December 31, 1917, the surplus was $14,284,873, after taxes. The 1917 surplus above is after taxes.

The average earning power for the seven years ended July 31, 1917 was $12 850,004 per annum. The average for the three years ended July 31, 1917 was $22,676,093, this representing the period when the motor industry established itself financially. So much for General Motors proper.

Figures on Chevrolet profits are not plentiful. No report was issued for 1917, the company being absorbed into the General Motors early in 1918. In 1916 Chevrolet made 90,000 cars and $4,845,071. In 1917 it made 125,000 cars and probably about the same total of profits as in 1916. As a unit in the General Motors, Chevrolet, when normal conditions return and if the domestic and foreign demand warrants, can turn out in excess of 150,000 cars with present facilities. The 1916 figure of earnings for Chevrolet is conservative ($4,845,071).

Likewise, figures of United Motors' profits are meagre. In the year ended June 30, 1917, the company earned $7,-540,816 (well under the estimated profits at the time of the company's flotation). The period for which both this earning power and Chevrolet's are taken does not represent a boom period. The decline in motor profits set in about the summer of 1916.

The earning power, then, of the three companies (actual, not estimated figures) *on the enlarged capitalization* appears as shown in the table herewith, taking three bases for General Motors, the seven-year average surplus (1911-17), the three-year average (1915-17), and the 1917 surplus.



Even including the 1911-14 years in the General Motors' average, when the properties and products were just beginning to be developed on a large scale, it will be noted that a substantial earning power, 19.3%, is disclosed on the new amount of General Motors common stock which will be outstanding. On the basis of the results of the fiscal years 1917 for General Motors and United Motors and 1916 for Chevrolet, an earning power of just under 30% is disclosed.

The above figures are entirely exclusive

of profits from the tractor business, which now forms a part of GMO operations.

There is, furthermore, available the report of the General Motors Corporation for the six months ended June 30, 1918, which includes Chevrolet operations, and this shows net profits of $26,078,120.

PAST EARNINGS AS APPLIED TO GENERAL MOTORS' ENLARGED CAPITALIZATION

	GMO 7-yr. Av.	GMO 3-yr. Av.	GMO 1917
General Motors	$12,850,004	$22,676,093	$24,780,916
Chevrolet	4,845,071	4,845,071	4,845,071
United Motors	7,540,816	7,540,816	7,540,816
Total	$25,235,891	$35,061,980	$37,166,803
Preferred Dividends	2,972,760	2,972,760	2,972,760
Balance	$22,263,131	$32,089,220	$34,194,043
Percent on Common	19.3%	27.9%	29.7%

After charging off $13,490,861 for Federal taxes and extraordinary expenses a surplus remains of $12,587,259, of which $12,307,784 is available for preferred and common dividends on General Motors stock, or 11.1% on the common, for the six months. This earning power is shown for the capitalization as it stood after the Chevrolet acquisition and before the United Motors absorption—$19,676,800 preferred and $105,141,700 common. The second half year cannot be expected to present such profitable operations, as the passenger car output declined toward the vanishing point in the fall months, and then after the signing of the armistice the war work total began to head toward the vanishing point. It was a period of decided readjustment.

The net quick assets of the General Motors Corporation as of June 30, 1918, were $94,963,507, compared with $105,-141,700 common stock; this includes Chevrolet. On December 31, 1917, the excess of quick assets over current liabilities was $64,554,765, against $76,-873,300 common stock outstanding at that time. The item of net quick assets steadily increased from $20,666,865 in 1912 to the above level.

Truck and Tractor

The GMC truck prior to 1918 was relatively a small department, as may be seen from the table of General Motors output in the calendar years from 1913 to 1917.

GENERAL MOTORS OUTPUT

	1913	1914	1915	1916	1917
Buick	30,000	43,000	61,000	91,000	122,000
Cadillac	17,000	18,000	20,000	16,000	20,000
Oakland	7,000	6,000	12,000	26,000	33,000
Oldsmobile	900	2,000	8,000	10,000	22,000
GMC Truck	600	700	1,400	3,000	6,000
Total	55,000	70,000	102,000	146,000	203,000

Official figures have not been published for 1918. Passenger car output gave way to war work, but in view of the fact that

the GMC light truck was adopted by the Government as standard it is reasonable to assume that truck production increased sharply, probably trebled. Truck manufacture may be expected steadily to expand, and to obtain a more important position than heretofore in the company's affairs.

General Motors has on the market and is "pushing" on a large scale the three new smaller models of Samson tractors, to accommodate which the Janesville unit is in process of enlargement and the Stockton plan will be expanded. Plans, it has been published, have been made for an output of 10,000 tractors in the next three months.

Trucks and tractors should prove an excellent back-log for General Motors during the transition from war work to quantity passenger car production.

Substantial price reductions have been announced on almost all the cars made by the General Motors. Such action indicates the judgment of the company's officials to be that costs will be lower in 1919; and the lower prices will stimulate demand to permit renewal of quantity production on a scale perhaps greater than in 1916-17. There seems to be indicated for 1919 an "open market" on motor cars as well as other products, in the sense that prices will be lower, in the attempt made by motor companies to develop speedily a demand which will permit large-scale production. All war work by the motor companies is being cleaned up rapidly. Incidentally, reestablishment of old price-levels with a normal margin of profit may be expected to discourage new automobile ventures.

On the theory that domestic needs for motor cars have not been more than 50% satisfied for the past two years and that foreign countries have now learned the efficiency of American motor cars and will want them in large quantities, automobile men look for an active demand after peace and normal conditions are reestablished. The automobile had to go into "reverse" in the war period except for war purposes, but little argument has appeared about the "essential" character of motor transportation in peace times.

Whatever the future of the motor industry is to be, the General Motors Corporation with the developments in its make-up which will have occurred in the war period appears to be fitted to take a leading part therein. If the transition period is to be prolonged and disturbing, General Motors will meet it with its organization well rounded out (accomplished without the incurrence of any fixed interest bearing debt); if the demand for cars develops at once and manufacturing conditions are satisfactory, the new General Motors Corporation's participation should be profitable.

The present price of General Motors stock does not appear to have discounted the part which the company would enjoy in a "peace time" automobile market.

MARKET STATISTICS

			Dow-Jones Avgs.		50 Stocks			Breadth No.
		40 Bonds	20 Ind.	20 R. R.	High	Low	Total Sales	issues
Monday,	Dec. 16......	80.72	83.23	86.54	74.77	74.12	345,800	194
Tuesday,	" 17......	80.74	83.41	86.58	75.16	74.46	455,900	191
Wednesday,	" 18......	80.53	83.01	85.88	74.77	74.06	345,900	207
Thursday,	" 19......	80.33	82.40	84.70	74.86	73.34	404,800	208
Friday,	" 20......	79.96	81.72	84.25	73.52	72.68	520,300	217
Saturday,	" 21......	79.88	81.89	84.36	73.60	73.05	236,000	168
Monday	" 23......	79.66	81.85	83.75	73.45	72.74	356,600	208
Tuesday,	" 24......	79.08	80.59	83.63	72.96	72.19	411,200	220
Wednesday,	" 25......		Christmas Day					
Thursday,	" 26......	78.95	80.44	83.05	72.45	71.42	674,000	241
Friday,	" 27......	78.99	81.17	83.10	72.77	71.86	740,800	262
Saturday,	" 28......	78.98	81.55	83.76	73.01	72.05	588,100	230

Industrial Earnings, Dividends and Income Yields

In view of the wide discrepancy between present industrial earnings and last year's—chiefly because of the unsettled conditions resulting from the war—our usual "Bargain Indicator" has been modified as below. The *dividend rate* given covers regular declared dividends on the yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The *yield on price* is based on regular dividends and the last reported sale or bid price before going to press. A minus sign before earnings' columns indicates a deficit for the year in dollars per share.

Companies Which Have Reported for 1917	Dollars Earned Per Share. 1913.	1914.	1915.	1916.	1917.	Present Div. Rate	Recent Price.	Yield on Price	INTENDING PURCHASERS should make careful Comparisons, including former years. They should also read the "Investment Digest" for additional information. If a yearly subscriber, our Inquiry Department may be consulted.
Allis Chalmers pfd	4.77	—0.15	6.80	19.97	17.04	$7	85	8.23	Earnings well up.
Amer. Agri. Chem. com	5.23	7.68	10.96	20.57	21.11	8	100	8.00	Peace prospects bright.
Am. Beet Sugar com	3.87	1.01	7.50	14.30	30.55	8	62	12.90	Earnings decrease.
Amer. Can com	2.66	3.61	5.20	12.31	21.84	0	46	0.00	Entrenching.
Amer. Car & Foundry com	4.10	5.53	0.77	2.39	27.36	8	88	9.09	Earnings being maintained.
Amer. Cotton Oil com	3.38	1.98	7.05	6.99	4.56	4	39	10.25	Peace outlook good.
Amer. Hide & L. pfd	3.66	0.85	7.38	12.64	13.56	5	67	7.46	Peace outlook not so good.
Amer. Linseed pfd	2.96	1.83	6.01	8.83	12.82	7	88	7.95	Earnings steady.
Amer. Loco. com	17.74	1.30	—13.00	36.07	21.81	5	60½	8.26	Production and capacity.
Amer. Smelt. & Ref. com	7.47	6.51	16.80	31.79	24.14	6	75	8.00	Readjustment to peace necessary.
Amer. Steel Foundries	6.01	—1.35	—1.20	19.89	30.19	7‡	84	8.33	Possible capital readjustment.
Amer. Sugar Ref. com	—0.25	2.90	4.99	18.46	20.09	7**	111	6.30	Peace prospects bright.
Amer. Tobacco com	28.12	21.04	20.06	22.70	25.21	20	190	10.52	Earnings increase.
Amer. Woolen com	—9.89	—0.06	6.40	15.31	40.42	5	50	10.00	Readjustment to peace necessary.
Amer. Zinc com	—4.65	1.82	54.92	139.52	11.08	0	12	0.00	Decreased earnings.
Anaconda Copper	2.61	1.89	7.16	24.85	17.04	6	60	10.00	Dividend reduced.
Baldwin Loco com	13.09	—5.25	7.14	22.91	40.22	0	73	0.00	Company entrenching.
Barrett Co. com	15.61	10.31	21.19	32.84	20.54	7	102	6.86	Earnings well up.
Bethlehem Steel com	27.50	32.60	112.50	286.30	43.20	10	61	16.39	Earnings continue well.
Burns Bros. com	4.41	8.40	12.11	10.03	21.27	10	150	6.66	Large expansion program.
Butte & Superior	3.47	5.21	33.37	31.79	.94	0	19	0.00	Minerals Separation suit hinders progress.
Cal. Petroleum pfd	11.74	11.54	7.80	8.44	12.41	7	65	10.77	Paying off back dividends.
Central Leather com	5.18	6.41	10.82	33.14	30.42	5‡	56	8.92	Peace outlook not so bright.
Chino Copper	3.51	3.44	7.67	14.40	11.27	4	32	12.50	Readjustment to peace.
Col. Fuel & Iron com	3.21	4.79	4.58	5.97	11.15	3	38½	7.79	Output decreased.
Continental Can com	4.88	10.69	12.05	22.38	32.63	6	69	8.69	Earnings decrease.
Corn Prod. Ref. pfd	7.66	7.73	10.62	20.39	38.05	7	102	6.86	Peace a benefit.
Crucible Steel com	12.84	—2.94	5.39	45.89	42.13	0	56½	0.00	Excellent earnings.
Cuba Cane Sugar com	.....	.....	.....	17.36	7.63	0	29½	0.00	Price increase benefits.
Distillers' Securities	1.17	2.28	4.64	10.30	14.83	2‡	50	4.00	Manufacturing new products.

General Chem. com	19.19	18.73	44.27	86.76	55.19	8	175	4.57	Peace products in demand.
General Electric	12.88	11.12	11.57	18.31	26.50	8	144	5.55	Earnings large.
Goodrich (B. F.) com	.83	5.62	17.17	12.76	14.50	4	54	7.40	Excellent prospects.
Great Northern Ore	.71	.54	.70	1.39	.....	0‡	32	0.00	Earnings good.
Greene Cananea Co.	2.33	1.97	1.04	7.03	5.05	8	45	17.77	Readjustment to peace necessary.
Gulf States Steel com	.....	.....	10.17	30.25	34.83	10	60	16.66	Peace outlook fair.
Inter. Agri. Corp. pfd	.....	0.65	.....	9.80	9.31	5	50	10.00	Bright outlook.
Inter. Mer. Mar. pfd	4.44	.....	26.26	42.10	22.72	6	111	5.40	Sale to U. S. Government probable.
Inter. Nickel com	4.17	3.40	4.44	6.83	7.78	4	32	12.50	Earnings back in property.
Maxwell Motor com	.....	0.30	5.33	29.10	29.62	0	28	0.00	Conservation policy.
Mex. Petroleum com	11.22	4.78	4.93	15.79	.....	8	168	4.76	Excellent peace possibilities.
Miami Copper	1.75	1.65	4.55	10.39	6.53	4	22½	17.77	Outcome of suit awaited.
Midvale Steel	.....	.....	1.44	31.46	35.58	6	43	13.95	Earnings should decrease.
Nat. Biscuit com	9.59	11.74	9.52	8.19	9.87	7	108	6.48	Peace earnings should be large.
National E. & S. com	1.05	—0.32	2.02	11.67	23.39	6	45	13.33	Transferring to a peace basis.
National Lead com	3.64	3.73	4.86	6.16	15.44	5	64	7.81	Strong position.
Nevada Cons. Cop.	1.45	0.74	2.78	7.50	4.83	3	17	17.64	Good long pull prospects.
New York Air Brake	6.55	6.41	13.43	82.15	18.94	20	100	20.00	Dividend not secure
Pittsburgh Coal pfd	10.07	5.06	6.11	11.64	39.10	6	86	6.97	Output decreases.
Pressed Steel Car com	10.56	0.14	3.60	15.01	10.04	8	62	12.90	Readjustment to peace.
Pullman Co.	9.28	9.04	8.80	10.32	11.36	8	114	6.98	Earnings steady.
Railway Steel Spring com	1.31	—0.42	3.10	20.49	32.31	8	72	11.11	Large equity in property.
Ray Cons. Copper	1.85	1.65	3.08	7.65	6.60	3	20	15.00	Prospects good after readjustment.
Republic Iron & Steel com	4.97	.56	6.49	47.67	51.88	6	74	8.11	Readjustment taking place.
Sears, Roebuck com	21.17	21.31	17.57	26.14	19.29	8	169	4.73	Prospects bright.
Sloss-Sheffield com	2.09	0.21	0.53	14.44	15.77	6	50	12.00	Peace outlook not so bright.
Studebaker Corp. com	3.12	12.79	27.46	26.14	9.11	4	49	8.16	Note issue well taken.
Tobacco Products com	0.30	1.03	2.31	5.44	9.32	6	81	7.40	Earnings increase.
United Cigar Stores com	6.83	7.09	7.69	9.48	.....	9	107	8.41	Should benefit greatly by peace.
United Fruit	14.52	6.19	16.11	24.34	26.72	8	155	5.16	Earnings good.
U. S. Cast Iron Pipe pfd	4.52	0.29	2.55	10.91	11.18	5	45	11.11	Outlook fair.
U. S. Ind. Alcohol com	1.94	1.94	14.60	36.13	54.67	16	101	5.94	Demand for product decreased.
U. S. Rubber com	10.61	9.18	10.80	17.75	28.77	0	76	0.00	Dividend possibility.
U. S. Smelt. & Ref. com	5.36	1.60	13.93	20.46	5.14	5	45	11.11	Adjustment to peace conditions.
U. S. Steel com	11.02	.....	9.96	48.46	46.29	5§	93	5.37	Earnings decrease.
Utah Copper	5.38	5.34	11.03	24.46	18.46	10	72	13.88	Discounts dividend reduction.
Va.-Carolina Chem. com	0.53	3.40	7.55	10.39	10.92	4§	53	7.54	Excellent prospects.
Westinghouse Elec. com	4.15	5.35	2.43	10.22	12.56	3½	42½	8.23	Peace prospects good.
Willys-Overland com	4.63	3.75	12.56	5.75	3.16	1	25	4.00	Acquiring peace properties.
Woolworth (F. W.) com	10.82	10.87	13.19	15.57	16.72	8	123½	6.47	Increasing sales.

**3% extra in quarterly installments of ¾% each. §Extra dividends. ‡No regular dividend. Has made two distributions of $1 each this year and one of $2.

R. R. and Industrial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

CANADIAN PACIFIC RAILWAY

Steamship Service to Orient to be Resumed

An early resumption of its regular steamship service to the Orient is the plan of the Canadian Pacific Railroad. Owing to the transfer of most of the ships, formerly in this service, the company had to discontinue its lines in the early part of the war. While the release of the ships used in this service will be brought about gradually it is expected that the service can be resumed on a small scale to begin with and tonnage added thereafter as rapidly as available.

The lines to the Orient were always large revenue producers and, owing to the expected development of trade in this direction, plans are being made to handle greater business than ever before.

CHICAGO, ROCK ISLAND & PACIFIC

$16,000,000 Compensation Under Federal Control

While there are some details still to be worked out between the Government and the company, it is expected that the "Rock Island" company will receive a total of $16,000,000 per annum under its federal contract.

With "other income" of $1,000,000 per annum this will bring total net earnings of the company up to $17,000,000 a year. After interest charges and dividends on the $29,422,000 7% 1st pfd. and $25,000,000 6% 2d pfd. stocks, there will remain a balance of $3,340,443, or approximately 4.50% on the $74,482,000 common.

On completion of contract negotiations with the Government the company intends to seek permission from the Federal railroad authorities to pay a dividend on the common stock.

Mr. N. L. Amster, chairman of the executive committee of this company, is quoted as being in favor of Government control. He said,

"I am unalterably opposed to the Government relinquishing control of the railroads at this time. It would be fatal to the interests of railroad security holders.

"In my opinion, if the Government were to relinquish all control of the railroads in the immediate future, it would be necessary to simultaneously appoint receivers for a great many."

ERIE

Net Income for September Quarter Drops

The report for the quarter ended September 30, shows that Erie, in common with other roads, is suffering from excessive costs. Which way the "wind is blowing" is shown by the fact that although operating revenues were $25,865,875 against $18,925,562 for the corresponding period the year previous, net income dropped from $3,156,864 in 1917 to $1,803,552. Increased labor charges is the big factor.

	1918	1917
Oper. revenues.....	$25,865,876	$18,925,562
Net revenue........	1,921,244	3,506,777
Oper. income.......	1,208,171	2,830,185
Gross income.......	2,089,233	3,366,977
Net income.........	1,803,552	3,156,864

The condensed balance sheet shows:

Assets—Investment in road and equipment, $2,429,618; current assets, $36,546,183; deferred assets, $13,110,272; unadjusted debits, $7,945,459; profit and loss, balance, $3,163,636; total assets, $63,193,168.

Liabilities—Current liabilities, $17,866,944; deferred liabilities, $40,255,218; accrued depreciation, $1,609,223; all other unadjusted credits, $3,163,783; total liabilities, $63,195,168.

ILLINOIS CENTRAL

$1,220,000 Paid Illinois for Six Months

Company has paid the State of Illinois $1,220,000 as 7% of its gross earnings for the current six months. This is $200,000 more than the similar tax for the preceding six months.

KANSAS CITY SOUTHERN

Advances by Government $1,060,000

Director General McAdoo announced that the total advanced to the company April 1 to Dec. 1, 1918, exclusive of current earnings immediately applied, was $1,060,000.

LEHIGH VALLEY

November Net, $798,752; 11 Mos. Net $6,302,586

Lehigh Valley reported to the Interstate Commerce Commission earnings for November were $6,014,373 gross, and $798,752 for net. Eleven months' gross was $59,692,726, an increase of $10,197,119 over the same period in 1917. Net operating income for the eleven month period was $6,302,586 as compared to $9,538,895, a decrease of $3,236,309 from the previous year.

NEW YORK, NEW HAVEN & HARTFORD

Cancels Equipment Contracts

Manufacturers of railway specialties and spare parts for engines and cars have received a circular from the purchasing agent of the New York, New Haven & Hartford R. R., written on the letterhead of the Railroad Administration, to the effect that all shipments of materials after Dec. 2 probably would be returned and would be made entirely at the manufacturer's risk.

This amounts practically to a cancellation of the contracts for these materials, which in many cases are fast contracts. It is unlikely that the equipment manufacturers will accept the situation.

It was stated that equipment men did not know whether the circular was inspired by the Railroad Administration or independent action taken by the New Haven.

PENNSYLVANIA

New Bond Issue Oversubscribed

That the Pennsylvania Railroad company could sell a large issue of securities on a little better than a 5% basis when the 4¼% Liberty bonds of the United States Government were selling to yield about 4½% is either a compliment to the strong credit position of this premier railroad or a reflection on the status of the Government bonds. Undoubtedly the former.

The bonds are issued under the general mortgage due June 1, 1965, which is limited to an amount equivalent to the outstanding and paid-up capital stock of the company, which totals approximately $500,000,000. There are already outstanding of these bonds some $125,000,000, of which $60,000,000 bearing interest at 4½% were sold in 1917.

Subsequent to this sale the Pennsylvania management made a comprehensive survey of the probable needs of the company for the future, and as a result the stockholders were asked at the last annual meeting for authority to increase the road's funded debt by $75,000,000.

Approval was obtained, and as there was already authorized $21,000,000 of bonds, the company had permission to expand its interest-bearing obligations by $96,000,000.

The new offering comes out of this authorized total.

SOUTHERN RAILWAY

$6,800,000 Voted by War Finance Corp.

War Finance Corp. had granted an application for the advance of $6,800,000 to the company, subject to the approval of the Director General of Railroads.

TEXAS AND PACIFIC RAILWAY

Construction of Belt Railroad Resumed

The several railroads entering the city of Dallas, Tex., including the Houston & Texas Central, the Texas & New Orleans, the Texas & Pacific, the Gulf, Colorado & Santa Fe and the Missouri, Kansas & Texas, have resumed the construction of a belt railroad around the city. It is expected that about $1,000,000 will be required to complete the line. Practically all of the right of way has been secured. The Missouri, Kansas & Texas Ry. will also build several overhead crossings in the northern part of Dallas.

The belt railroad is to be used by the several lines entering the new union station, and will do away with many grade crossings inside the city limits.

Officials of the company have denied the rumor that an oil well was brought in on the company's prospect. The Texas Pacific Coal & Oil Co., an entirely different, separate and distinct organization, is doing extensive development work in way of drilling oil wells on its properties, and has been very successful in bringing in some good wells. Probably the two companies have been confused by those making the statement that Texas & Pacific Ry. Co. was developing oil wells on its properties.

WESTERN MARYLAND

Shows 10 Mos. Operating Deficit of $551,618

Gross earnings for October for the company were $1,262,474 as compared to $1,234,758 in October 1917. Net showed a deficit of $485,858 as compared to a deficit of $424,524 in 1917. The net operating deficit for the ten month period ended Oct. 31, was $551,618 as compared to $3,348,792 for the same period in 1917, which shows an increase of $3,900,410.

INDUSTRIALS

AMERICAN CAR & FOUNDRY

Cash Balance of $21,000,000 After Providing for 1918 Taxes

After providing for probable 1918 war taxes, has a cash balance of over $21,000,000. By April 30, 1919, it would not be at all surprising if the company had a working capital balance equal to better than $30 per share on its common above par for pfd. Net profits from miscellaneous and outside work, which includes repair work and manufacture of other than equipment, have practically reached the point where they cover the 7% dividend on the $30,000,000 pfd., leaving the equipment profits for the common.

AMER. INTERNATIONAL CONTRACT

No Graft is the Department of Justice Verdict

The publication of the report of the Department of Justice's investigation into the charges of alleged waste and mismanagement in the construction of the Hog Island shipyard brought the decision that there is no justification for criminal proceedings against the contractor or its agents. The investigators, G. C. Todd, assistant to the Attorney General; and Mark Hyman, special assistant, concluded that the American International Corp., the Emergency Fleet Corporation or their agents had perpetrated no fraud nor had received secret profits. However, the investigators suggested that a satisfactory explanation of the great discrepancy between the original estimates and the actual cost of the yard could not be found.

A board of experts, the investigators suggest, should be appointed to determine as to the reasonableness of the expenditures, this board of arbitration to consist of three disinterested naval architects, as provided for in the contract.

In this connection it is interesting to recall that similar cases arising after the Civil War were contested from five to thirty years. Many cases of this sort were fought back and forth in the courts tying up large sums of money and burdening the contractors with expensive litigation.

AMERICAN LOCOMOTIVE COMPANY

Readjustment to Peace Basis Under Way

Munition contracts held by this company have long since been completed and the orders still on the books are either for domestic roads, through the Railroad Administration, for foreign roads or for the Canadian Government, the latter being filled at the Montreal plant.

The company is so adjusting its operations to provide full speed ahead, for at least the remainder of the fiscal year. Overtime work has been eliminated at all the plants, and one or two plants are reducing operations to a five day basis. This reduction of the working time has obviated the necessity for discharging workers on a large scale. American locomotive's operations are now down to what might be termed capacity in normal times. At this rate the company can be kept busy until the end of the fiscal year, July 1, 1919, from the orders now in its books.

Inventories as of June 30 were $25,411,835 and it is understood that this item has been maintained at approximately the same level. This factor is supposedly offset by a reserve account set up during the war to take care of inventory depreciation. A large loss is not expected from this source, however, as much of the company's purchasing is made against orders for materials and as the company is protected by contracts for the product, a drop in material prices will not have a serious effect. The only loss expected, therefore, will come on materials held in stock.

AMER. SMELTING AND REFINING

Will Not Purchase Concentrates at High Prices

Taking no chances on the probable price at which copper will eventually settle, the American Smelting company is taking immediate steps to prevent loss on advances on concentrates.

Before the war it was the practice of the refining company to make commitments of concentrates on the basis of current quotations for the red metal and immediately sell futures against the refined product, when it became available, in the London market.

When the price of the metal became fixed, however, this practice had to be discontinued. Instead the company, knowing the price the refined would bring, adopted the practice of advancing fifteen cents a pound to the mines on receipt of concentrates.

It is stated that the company now refuses to advance more than 11c a pound. This advance allows an ample margin of safety as there are no indications yet that the price of the refined is going below 20c.

ASSOCIATED DRY GOODS CORP.

"Calico Common" Showing Up Well

That the Associated Dry Goods company is enjoying the greatest prosperity since its organization in 1916 is evident from the returns for the year just closed.

Earnings for 1918 will run about $3,000,000 and after deducting $400,000 for taxes, $829,122 for the 6% 1st pfd. dividend and $470,785 for the 7% 2nd pfd. dividend there is approximately $1,300,000, or about $8.67 per share left for the common. This means a sum of about $2,600,000 available for dividends, against $1,530,885 in 1917.

The company, organized in May, 1916, started dividends at the rate of 6% per an-

num on the 1st pfd. by declaring a quarterly dividend in April, 1917. In February, 1918, the directors declared a dividend of 1¾% on the outstanding $6,725,500 2nd pfd., placing that issue on a regular 7% basis. Although no dividend disbursement is expected on the common at the meeting in January, the opinion being held that the directors will pursue the policy of conservatism favoring the strengthening of the company, if the indications of good business are verified, it would not be surprising if some distribution were forthcoming next summer.

BALDWIN LOCOMOTIVE

Munition Plants to Continue

While some of the contracts held by the Eddystone Munitions Company, a subsidiary of the Baldwin Locomotive, have been cancelled, many of the large ones are being allowed to run to completion. It is expected, therefore, that work will be continued up to about the first of April, 1919.

Locomotive orders have not developed as was expected, although reports from Washington intimate that the Railroad Administration will place orders for locomotives for 1919 delivery.

In the transition period, and before the anticipated world buying of locomotives sets in, and while the railroad policy in the United States itself is being determined, it is expected by equipment manufacturers that a large amount of locomotive repair work will be necessary, and this repair business is expected to keep the locomotive companies engaged until the new business develops in large volume.

CORN PRODUCTS

Record Year for the Company Predicted

Despite the loss of this company's export business, a record year is confidently expected. Estimates of earnings on the common stock place the amount at $15 a share, after all charges and taxes.

Grinding between 135,000 and 150,000 bushels of corn daily, the company has been establishing new high records all along the line. Its pre-war treatment of corn approximated 85,000 bushels.

The export business of this company was eliminated at the request of the Government to provide for the Domestic demand and also to alleviate the shipping situation. In the meantime, through an extensive advertising campaign, a large domestic business has been built up.

As the export business formerly constituted a major part of the company's activities, it is expected by the officials of the company, that this field can be entered again without much loss of former trade.

KRESGE

Sales, November, 1918, $3,373,709

Reported by the company as $3,373,709, compared with $2,751,595 for the same month in 1917, an increase of $622,114, or 22%. Sales for the first 11 months of 1918 were reported at $30,912,043, as compared with $25,364,873 for the same period of 1917, an increase of $5,547,170, or 21%.

LOOSE-WILES BISCUIT

No Immediate Intention of Paying Off Back Dividends

Evidently there was no base for report that directors planned immediate liquidation of 26¼ back dividends on the 2d pfd. and the inauguration of dividends on common. However, compared with the showings back in 1914, 1915 and 1916 when deficits or practically nothing was earned for the common, there is ground for encouragement in Loose-Wiles's future. It is the balance-sheet that tells the real story. Bank loans are in the neighborhood of $2,500,000 and 1918 taxes will remove $700,000 from the treasury. Under these conditions the payment of $525,000 in liquidation of the back dividends on the 2d pfd. does not appear as good business to the management. Consequently it will continue to saw wood, building up volume business and reducing indebtedness.

STUDEBAKER

Estimates for 1918 Net Under Expectations

Disappointment is apparent in some quarters over the official estimate of $4,000,000 net for 1918 after the usual charge-offs for taxes, etc. If this is actually the return it will mean about $10.77 a share on the common. Two or three months ago it was the belief that the company would close the year with a balance for its $30,000,000 common of over $12 per share. Officials explain their change in stand by the fact that the final quarter will not be up to maximum expectations because of the beginning of the readjustment of operations on a peace basis.

WOOLWORTH'S SALES

Increase for First Two Weeks in December, $500,000

With sales approximating $5,000,000 for the first two weeks in December, a gain of $500,000 over the same period last year is shown. If this ratio of increase is maintained for the last two weeks in the month the total sales will reach between $15,500,000 and $16,000,000 as against $14,590,924 for December, 1917. The growth in sales of the five and ten cent stores has been augmented by the increase in buying power of the class that patronizes the cheaper stores and also by the usual customers of higher priced goods, forced to enter the cheaper market by the uniform rise in prices for the better class of goods.

Trade Tendencies

As Seen by Our Trade Observer

The average investor has neither the time nor the opportunity to follow developments in the various industries, although such developments at times are of vital importance in the consideration of the long range prospects for securities. This Department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of many factors affecting the price of the securities representing that industry the reader should not regard these Trade Tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.—Editor.

Steel Industry Waiting Watchfully

The atmosphere in the steel trade is surcharged with an attitude of indifference on the surface, but deep concern below. To one not at all interested in buoying up the hopes of the country, the situation presents an aspect for all the world like the fellow "whistling to keep his courage up." In the midst of conjectures as to what policy the Government would be likely to pursue in regard to regulation of steel, came the announcement that all restrictions would be lifted by the first of the year. Since then there has set in a period of hemming and hawing, surfeited with a huge volume of talk as to what will be done, but nothing actually being done. The steel trade reports a condition of stagnation, with a few producers adopting the suggested reductions in prices, but most of them waiting until they see the turn of events for the new year.

The trouble with the steel trade at present is that the majority in it are tending to adopt a dangerous policy of self-deception. Of the many optimistic arguments that are current as to the immediate consumption of surplus steel, the chief one is that the world market (by that term is meant markets outside of the United States) is going to absorb American steel at a rate greater than ever before, even during war times, mostly for the purposes of reconstruction. A brief investigation of the facts of the situation reveals a somewhat different condition.

In order to afford a reasonably sound basis for estimating the future status of the trade, it is well first to determine how much steel has been used for war activities in all branches, and the production of steel the world over required to meet that situation; and to weigh on the other side the probable normal consumption of steel all over the world as based upon past records, and add thereto the probable amount that will flow into foreign markets for reconstruction purposes.

According to the best estimates available, *iron or steel consumed for war activities alone very nearly approached 40,000,000 tons. The production of steel in the United States was over 40,000,000 tons in 1916, 38,500,000 in 1917 and about 38,000,000 for the past year. These figures compare with a production in 1914 of 23,700,000 tons, in 1913 31,461,000, and in 1908, immediately after the panic, 16,100,000 tons. The total world production of iron in 1916, the high point during the war, was over 78,000,000 tons; for the past year, approximately 75,000,000 tons, and in 1914, during the slump, about 63,000,000 tons. The foregoing has to do with production alone, and it should be borne in mind in this connection that prices never before heard of were obtained for this increased output, owing, as we know, to the exigencies of the war.

Let us look for a moment at the application of the "reconstruction" outlet

* "Iron" and "steel" used interchangeably; above figures represent pig iron. Figures for steel are slightly in excess.

for our steel at high prices. In the first place, Germany has undoubtedly all the steel that is necessary for her immediate requirements, and even if she should desire to import steel she would not be able to do so on account of her impoverishment. Hence, Germany is likely to keep her requirements within the scope of her pocketbook. Belgium must rebuild—but will she rebuild with American steel? Belgium, who before the war was a considerable exporter of steel, has now regained her stolen properties, probably not very much the worse for wear, and, therefore, although a small quantity may be needed for immediate and urgent needs, Belgium will soon be producing all she needs, and, in fact, will be our active competitor in other markets.

Nor is France, to which fair country American industry is affixing the absorbing powers of blotting paper, going to buy much steel from us, especially at the high prices which we have to demand owing to labor conditions. France was always able to, more or less, sustain herself in regard to steel, and here, as in the case of Belgium, the evacuation by the enemy has left France with the wherewith-all to produce more than her needs. Whatever she may need on a small scale in the meantime can and will probably be obtained from her neighbors. In short, it is a sorry conclusion to base great hopes in the outlet for our surplus steel in European markets. Our foreign trade situation is still in the infant stage, and, therefore, it is very unlikely that we will be able to capture foreign markets to a degree sufficient to bolster up the hopes of the steel industry, for the immediate future at least, by our exports.

What then are we facing? A return very nearly to normal in the production of steel by countries whose output was curtailed during the war. An increase in our own production of about 10,000,000 tons. Assuming that a peace demand for about one-fourth of the war demand arises immediately for rebuilding, new enterprises and reconstruction, we have a world left with an overproduction in steel of from 21 to 24 million tons. Undoubtedly there will develop a scramble to market steel products at sizable reductions in price to keep the producers alive. It is not the intention of the writer to take the attitude that we cannot some day find consuming power for even so great an output, but the point intending to be brought out forcibly is that severe competition is going to develop from which it can only be concluded that prices must come down, and come down sharply. (The prospect for steel stocks is discussed in "The Outlook" department of this issue.)

The Railroad Dilemma

Under the stress of argument on "What shall be done with the Railroads?" little attention is being paid, it is feared, to what the railroads are actually doing. It is emphatically to the interest of those who would have their hand on the pulse of the railroad situation to delve beneath the main argument, if only for the purpose of properly adjusting their views on the major consideration. The tide of argument, flowing backward and forward, on Director-General McAdoo's suggestion, that Federal control of the railroads be extended for a period of five years, will probably continue until a definite agreement is reached. In the meantime it would be well to review the railroads from a railroad and not a political angle.

The outstanding feature in the returns of earnings and expenses of the railroads is still the steady trend of expenses upward. Railroad owners, of course, are still in the happy or unhappy position of receiving a fixed rental based upon past earnings. The security of such a situation has a tendency to blind those owners interested but not actively concerned in the operation of the road to developments of vital interest. Although it is the general belief that the railroads should not

be put immediately upon their ante-bellum status, those who indulge in this belief base their conclusions on generalities.

The facts are that operating costs are rising under conditions imposed by the Government administration to such an extent that many of our roads would find it impossible to make both ends meet and would probably be thrown into bankruptcy in a short period should they be returned off-hand. Last June, when the Railroad Administration inaugurated a blanket increase of rates, it was thought that a large part of the rising cost problem had been solved. Railroad statistics show, however, that this hope was only sustained for one month, namely, July. Thereafter, a decline in net earnings set in that is developing overwhelming proportions. In short, the improvement in gross revenues resulting from higher rates has been neutralized by the rise in expenses with the result that net earnings are declining rapidly.

No better indication of "Which way the wind is blowing" can be found than is contained in the comparison of the ratio of expenses to earnings. Since the middle of the summer the increase in this ratio the chief items in the rise in operating has been steady. While last year, with all its difficulties, it figured about 69%, it is now approaching 80%. The regularity in which it is increasing is quite alarming. Take for example the returns for the four months from July to October, inclusive. In July the ratio was 68.87%; in August, 71.41%; September, 76.09%, and for October, 77.92%. Coincidentally the ratio for October last year was only 67.56%.

Of course, it is admitted that the continued advances in wages formed one of costs, and this cannot continue indefinitely. Where the Administration will let off, however, is still a problem, for, almost at regular intervals, some new rise in the wage scale is announced for a different class of railroad employees. It is expected that soon there will be some modification in the expense account, due to the decline in the cost of fuel and other materials and supply. What will happen to the pay-roll, however, no one can truthfully say at this time.

The tables are illustrative of the earnings and operating costs situation.

The railroad situation at present, then, leaves plenty of room for conjecture, as to the probable turn of events in the near future. One thing is certain, and that is unless there is some relief in the earn-

GROSS EARNINGS UNITED STATES RAILROADS

Month	1918	1917	Inc. (+) or Dec. (—)	
July	$463,684,172	$346,022,857	+$117,661,315	34.00%
August	498,269,356	362,509,561	+ 135,759,795	37.45%
September	487,140,781	357,772,850	+ 129,367,931	36.16%
October	484,824,750	377,867,933	+ 106,956,817	28.30%

NET EARNINGS

Month	1918	1917	Inc. (+) or Dec. (—)	
July	$144,348,682	$109,882,551	+ $34,466,131	31.36%
August	142,427,118	118,114,360	+ 24,312,758	20.58%
September	117,470,621	114,280,071	+ 3,190,550	2.79%
October	107,088,318	122,581,905	— 15,493,587	12.63%

OPERATING EXPENSES, EXCLUSIVE OF TAXES

	Expenses, 1918		Expenses, 1917		Inc. (+) or Dec. (—)	
Month	Amount	Ratio to Gross earn.	Amount	Ratio to Gross earn.	Amount	Per cent
July	$319,335,490	68.87%	$236,140,306	68.24%	+$83,190,184	35.23%
August	355,842,238	71.41%	244,395,201	67.42%	+111,447,037	46.60%
September	369,670,160	76.09%	243,492,779	68.06%	+126,177,381	51.82%
October	377,736,432	77.92%	255,286,028	67.56%	+122,450,404	47.97%

ings and operating situation those interested in railroads must view the future with some apprehension. It is understood, of course, that a condition precedent to all arguments on the railroad situation is the next move on the chessboard of Government control. The weight of worthy opinion in this connection leans towards the view that there will be a return of the railroads to a modified private ownership, under responsible Federal regulation. Until something definite is done in this direction, we can only assimilate side-lights on the situation, with a view to obtaining a clarified outlook when a decision is announced.

A review of the manifold peace demand covers so wide a scope that it would be impossible to enumerate more than a few of them here. From a mass of fact and opinion showing the ratification of demand from various angles the following, quoted from a well qualified judge, seems to bring out some of the more important phases:

"The demand in this country for motor fuel for pleasure, commercial and agricultural purposes should continue to expand after the war. And there should be no diminuation of the demand for other petroleum products.

"As a result of its war record, foreign countries and especially Europe are likely to adopt the internal combustion engine on a big scale for all kinds of purposes for which previously only animals had been used.

"On the sea the use of fuel oil should be greatly expanded within the next few years. Previous to the war many important steamship lines had decided to adopt oil as fuel and its use in war time especially by the navies has given further proof of its advantages over coal.

"Stocks of oil in foreign countries are now depleted and it will require a considerable time before these supplies can again be brought up to their normal point."

Although a certain degree of optimism must be discounted by those whose business is to observe the tendencies of the trade, there is very little doubt that an extraordinary degree of optimism is warranted by circumstances.

With the outlook for the distribution of oil at high prices for some time to come favorable, other factors entering into the situation just as necessary, are also favorable. The oil companies will undoubtedly be able to obtain much needed materials, the purchase of which has been postponed, at favorable prices, owing to a material decrease in prices for these materials. In addition, the labor situation, which has weighed just as heavily upon the oil trade as upon others, will no doubt take a turn for the better in the immediate future. The return of cohorts of American soldiers, many of whom were employed before in the oil fields, should immediately alleviate some of the oil companies' labor troubles. The lure of comparatively high wages and interesting and profitable work should seduce new labor to this field. Again in contrast to the situation in other trades, a higher level of wages can be profitably maintained owing to the maintenance of prices for oil at the same or increasing figures.

A favorable aspect of the oil situation would be hard to deny in face of the preponderance of factors tending to point out the reigning status of oil. The transportation of oil has been a serious drawback during the war, roads that were formerly well oiled have not received their usual applications for a long time and so innumerable instances of a great and growing demand for oil, is in evidence. The oil trade has little to fear in the outlook for the immediate future for its business. The tendency of the trade is decidedly on the upward range and is likely to progress that way for some time to come. An excellent way to arrive at the probable status of an industry in the near future is to weigh the benefit and detriment caused by the war against what business will be taken away during peace and what will be added. When the balance is struck for oil, the future finds the industry on the credit side of the ledger.

Copper Trade Expects Revision Downward

Now that all restrictions on the price of copper are out of the way, and the first revision downward in the price for the metal has been announced, interest is intense in the trade as to when a free market will be established and what will be the next move.

The copper fraternity as a whole are not making a very concentrated effort to impress upon outsiders that the red metal is worth 23c a pound, nor do they assume that anything like that price will be maintained. On the contrary, the copper trade tendency is clearly defined. As gleaned from the opinions of the leading organs in the trade and the large producers and consumers, all concerned, have made up their minds that a readjustment and a severe one is coming. Controversy is rife as to the probable surplus of copper on hand, some claiming more and some less, but without entering into the argument, and taking the attitude that even with a surplus of 100,000,000 lbs. (the minimum estimate) the situation is not encouraging, in light of the present production and probable consumption in the near future. While there undoubtedly will be a great demand eventually for the metal, for ordinary commercial purposes, new construction and reconstruction, this demand even at its height would in the first place be small in comparison to the war demand, and in addition would not likely be forthcoming at anywhere near the present price level.

What relief in the general situation will be found through the export outlet is, of course, still problematical. The Copper Export Association recently organized by American copper producers is going after foreign business hard, but it is certain that foreign countries despite their needs are likely to buy very sparingly, and certainly at as low prices as possible. It is hard to take an optimistic view of the copper situation, despite efforts of some of the leaders in the trade, to show that there is an immediate and pent up demand for the metal, concluding therefrom that the price should be maintained at a high level.

On top of all the troubles that afflict the copper trade, the labor element, which, of course, can never be credited with taking into consideration any of the exigencies of the situation are coming forward with increased demands. A committee of miners has already submitted demands for wages based on 25c a pound for copper, or two cents above the present rate, and intimating further that they do not give a "rap" how low the price of the metal should fall in the open market. Of course, the miners will not get any such thing, but such demands clearly show that the copper trade is going to have its troubles in the near future.

A summary of the situation shows the copper industry with great stocks of the metal on hand, production at capacity, the labor situation bad enough as it stands, but leaning towards the worse instead of the better, a high speed production based upon war requirements, and worst of all, a poor prospect for an outlet of both present production and the surplus stocks at even favorable prices. Only one conclusion can be drawn from these facts.

Outlook Bright for "The Wonder Liquid"

It is refreshing to find that in at least one of the trades the plethora of conflicting opinions as to the future status of the industry is not in evidence. Views as to the probable tendency in other markets are usually qualified by no end of arguments pro and con which show that operators in these fields may be doing a lot of talking on one phrase of the situation or other, but none will commit themselves to any definite course of action.

The Oil situation presents an entirely different aspect. Officials of the oil companies, the leading organs of the trade, and well informed observers are unanimous in their opinion that the heyday of oil is dawning. As vast as were the activities in this branch, during the past two or three years opinion has it that such activity will pall to insignificance as compared with the development that is forthcoming. Nor is this activity to be confined to a limited number of years, for the plans for the future are being laid with such avidity that it would almost seem that the birth of oil was announced when "peace broke out." During the past four and a half years of trying strife the re-establishment of peace has been looked upon as a pre-eminent boon to the oil trade. Instead of a readjustment of this point of view, as has been the case of many industries, developments have been such as to emphasize the likelihood of increased trade.

Not that oil has had a bad time of it during the war. On the contrary, the trade has experienced prosperous activity, due to the extraordinary war requirements of ours and the Allied Governments. That oil has received its benefits cannot be denied. It has added to the list of uses for oil, many new and unheard of applications which have practically developed into standard requirements. In other lines of activity, when favorable mention is made of the outlook, deductions are based upon elaboate theories of reconstruction. No doubt some of these theories will develop in practice and are worthy of consideration, but even the reconstruction boom, when put forth as a basis for a favorable outlook, is usually qualified by the statement that an intermediary period of readjustment will prevail. Not so in the oil field. The future here is based upon the general pent-up demand that now prevails and the demand that should logically develop along lines of expansion that are well laid out. While there are cases of "nerves" over the cancellation of war contracts, by the Government, they are few and far between. They can, therefore, be almost entirely ignored in our argument. In short, the oil trade does not fear an "Era of financial caution" that is prevalent in almost every other industry.

In addition the contrast to the situation in other lines of industry is pronounced in regard to Government control. Nothing would suit the oil man better than immediate and arbitrary abolition of all restrictions in this direction. The consensus of opinion is towards the view that there would be an immediate revision of prices upward, creating a wild scramble. Although effort is being expended toward bringing about this condition government circles have indicated that their policy will be one of removing restriction by degrees. As an indication of the attitude taken by the oil trade in this regard and also of the supreme confidence in which the future is forecasted a writer in the *Petroleum Age* says: "It is better to sip our wine a little at a time. It is never good to try to drink up the wine cellar at a sitting. Also it is better business to spend a time picking the fruit from a tree than it is to club the branches or pull the apples off with a rake."

By far the best barometer of future conditions is obtained by observing the activities and plans of the large oil companies themselves, saying little but doing a lot while the "grand old man" is entering upon a big campaign of construction and expansion. The grand old man, which, of course, is the Standard Oil, from its largest to its smallest subsidiaries, are increasing their facilities tremendously, all of which can have only one meaning, and that is unprecedented expansion is looked for. In line with the above, other big companies such as Sinclair, the Gulf Company, and the Cullinan, Doheny, and the Doherty interests are preparing for big things.

Motor Industry Smiling Through Its Tears

"He comes up smiling" would be a descriptive title for the motor drama now being played on the World's industry stage. In the face of cancellation of huge Government contracts, running into millions daily, restricted output caused, on the one hand, by shortage of materials and on the other, by the inability to turn out machines even were the materials available, owing to the necessity of re-installing the regular machinery in place of the special Government fittings, the motor industry still smiles.

The most discouraging phrase of the situation, to those companies who have had large contracts with the Government, and which contracts are now being canceled, is the probability of a long tie up of funds while adjustments are being made on these contracts. If experience is worth anything, it is not likely that the Government will speed up its, in all cases, snail like movements to help the motors out of their difficulties in this direction and unless funds can be drawn upon to provide the working capital thus involved, these companies will be faced with a serious problem.

That the transitory period is going to be especially severe upon the motor industry is denied by few. It will take a lot of time, money and patience to readjust this industry on a peace basis and during that period, and a rough go of it may be expected.

The labor situation looms large, but there is two sides to it. One group maintains that owing to the sudden stoppage of war work, thousands of employees will be thrown out of a position and will only be too glad to accept work on a lower wage scale in order to be employed immediately. The other group stoutly maintains that the labor element will take no such view of the situation, and will demand that they be reinstated in their jobs at wages very near the former levels. Which is likely to be correct is hazardous to guess, as no one can safely predict what labor will do next. But two things are certain; one is that the full complement of labor will not be necessary in most plants for some time, or until the organization and installation of peace time machinery has been completed, and the other is that the public generally is expecting a lowering in prices for motor cars, and unless this reduction is forthcoming buying on a large scale is likely to be curtailed. A reduction in the price for the product, however, is contingent upon the costs that go to make up that product, the principal one being labor. If labor refuses to come down much, there will be a scarcily perceptible reduction in price, and manufacturers are likely to be faced with reduced consumption.

One branch of the industry is quite optimistic in its views, even for the immediate future. This group consisting of manufacturers of light delivery cars and trucks, expects a continuation of business on a large scale, and some even predict an immediate increase. They contend that railroad transportation conditions will continue to force into use motor transportation on a large scale for commercial utility and claim that even though the railroads will soon be able to handle a larger share of the short hand business, the convenience of this method of transportation has been established and is more likely to be developed further than reduced.

Manufacturers of passengers cars however, (not pleasure cars as one manufacturer significantly emphasized was the proper appellation), are facing a situation that is not encouraging. Thus, the motor industry as a whole, is in a state of confusion, hard to describe. The utmost of confidence is expressed as to the ultimate future of the industry; expansion on a scale greater than before, is confidently expected and there is no reason why it should not develop. In the meantime, however, Herculean efforts will be made to bring about a speedy readjustment. Despite these efforts, the situation is not likely to become clarified for the spring business.

Grain and Provisions Confused

With the prompt and arbitrary removal of restriction by the Government on steel and copper, and the likelihood that similar action will be taken in regard to other controlled commodities, grain producers and traders are doing no little speculating these days as to the probable trend of prices in the near future. Far less unanimous, however than the copper and steel trades on their respective situations are grain operators of all classes. There are so many factors entering into the situation that to follow the treads of all the trend of thought would lead us into a maze of conflicting conclusions. While it would seem that wheat, owing to government control, should lie outside the pall of discussion, various developments in the wheat situation, must be taken into consideration in order that a correct and satisfactory conclusion may be arrived at for other commodities, principally, because the growth or lowering in production of wheat greatly affects the growth or decrease in the supply of corn or oats, and therefore, the price of the latter is affected. For example, many well informed observers maintain that because of the forecast for the largest winter wheat crop ever grown in the history of the United States, the acreage available for planting corn and oats is necessarily reduced and therefore, the prices of these commodities should be sustained to a certain extent. What practical value this view is worth is a moot question.

A close study of all avenues of opinion reveals two sharply defined perspectives. It might be well to give them both here so that the value of each may be taken for what they are worth. The one group argues that an entirely artificial level of prices is being maintained through Government support and when this support is withdrawn a decline must necessarily follow, owing on the one hand, to the immediate curtailment of purchases by the Government on a large scale, and the other to the parsimonious policy of consumers in purchasing owing to the high prices. They further point out in rebuttal to the argument that the demand from consumers will be as large, if not larger than ever before, that this purchasing power will be less concentrated and therefore slower in assimilating offerings. One convincing point in favor of the argument of this group is that while the Government maintains a high price level for the farmer he, in turn, is raising as much grain and as many hogs as he possibly can to take advantage of the high prices. The conclusion to be drawn therefrom, is that if restrictions are lifted there is likely to be a burdensome excess of supply until the producer can readjust his production to conform with the demand.

The other side of the question, however, is somewhat the favorite for the near view. They maintain that with a continued high wage scale, it cannot be seen how the high cost of production of food stuffs or other articles can be reduced, and conversely wages will stay up as long as food stuffs and other items of living costs remain high. The reliance upon the demand for food stuffs all over the world as a factor in maintaining the price, even with high speed production, is the main support of their argument.

Which analysis is likely to be the true one is difficult to forecast. It would seem to me that the first group had hit upon the more practical solution of the problem for the near future. If an easing off of governmental restrictions is adopted as the course of action, the readjustment to lower levels of prices should be brought about without any severe shock. However, there is nothing in the situation that would tend to put the commodity markets on a different plane than is the case with steel, copper or cotton, when conditions return to a non-restrictive, normal status.

PUBLIC UTILITIES

Light on the Interborough Tangle

Explanation of Contract with N. Y. City—The Famous "Preferential"—Where the Holding Co. Stands—Outlook for Bonds and Stocks

By JOHN MORROW

THERE is one Clarence H. Venner, long known for his activities in fighting the financial affairs of many corporations, who at the well-known psychological moment comes forth with a circular attacking the financial position of the Interborough Rapid Transit Co., and pointing an accusatory finger of warning at the directors. His contentions in regard to the Interborough are not new. He has been at it for years, but in this case he has chosen an auspicious time to launch a further attack. The public complains of service, the city authorities, of course with no thought of their political fortunes, turn deaf ears to petitions for fare increases, and the Public Service Commission investigates, but hesitates. Fares remain at five cents.

In the meanwhile securities of the Interborough Rapid Transit, and Interborough Consolidated, the controlling company, are scraping bottom. As far as the status of the subway and elevated lines is reflected in the securities markets, the following are the principal issues affected; Interborough Rapid Transit first and refunding 5% bonds, 1966; Interborough Rapid Transit 7% notes, due 1921; Interborough-Metropolitan collateral trust 4½% bonds, 1956; Interborough Consolidated preferred stock, entitled to 6% dividends, but receiving nothing, and Interborough Consolidated common. The Interborough 5s have been as high as 99½; they are now selling around 70. The 7% notes were marketed at 98½ and have declined over six points. Inter-Met. 4½s around forty, were about 90 back in 1906. The common under 6, threatens the absolute low of 4⅞ made in 1907, and the preferred from 80¼ in 1916 is below 20. The general decline has been somewhat gradual, but recently liquidation has been hastened by the thinning margin between gross and net earnings, as shown in the current statements of the Interborough Rapid Transit Co., and by the all around unsatisfactory situation of the New York City traction lines.

Contract with N. Y. City

Any discussion of the Interborough situation must necessarily include the contract with the City. This is essential, and will bear repetition, although it has been in the foreground ever since the Interborough Rapid Transit 5s were marketed. When the city decided that an increase in the subway and elevated lines was essential, the proposition was approached from the standpoint of a rigid five cent fare as the unit of revenue. The contract under which the new subways were built was signed in March 1913, and in effect made the Interborough Rapid Transit Co. a partner with the city in the enterprise. As every one knows, the company operates the subway and elevated lines in Manhattan and the Bronx, with extensions to other boroughs. The Brooklyn Rapid Transit's new lines on the north side of the East River, have nothing to do with the financial problems involved in the Interborough situation, but present a problem unto themselves.

By this contract, the Interborough Rapid Transit bound itself to do certain things in connection with the construction and equipment of the new lines. It agreed to furnish $58,000,000 toward the cost of construction of the new subways, and its obligation was limited to that amount. The city furnishes the rest. It also agreed to equip the new subways,

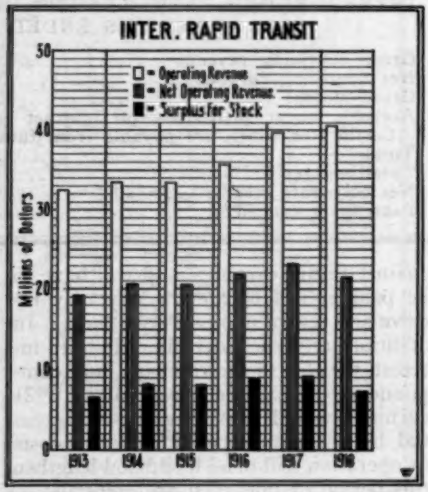
and it was originally estimated that $22,000,000 would cover this item. Times have changed, and as there was no limitation upon this outlay, Interborough has been forced to spend considerably above the original estimate. Unfortunately the contracting parties had no inside wires to Wilhelmstrasse when the contract was signed.

As earnings of the old or existing subways were to be pooled with the new, it was also agreed by the contract that Interborough was entitled to receive the annual sum of $6,335,000 representing normal earnings of the old subway lines, after deduction of operating expenses, taxes, and interest on the city's investment in these lines. The City receives, and has been receiving, since the subway has been in existence, about $2,384,000 annually as interest on this investment, which has no connection with the contract made in 1913. On the $80,000,000, which Interborough was to spend for construction and equipment of new subways, interest of 6% was to be allowed, to be deducted by the company from net earnings.

A separate agreement was made to cover the operations of the elevated system, but its terms were somewhat similar. The Interborough Rapid Transit was to receive an annual total of about $3,390,000 representing normal earnings of the overhead lines, and interest on its investment in the new extensions to the system. All told, Interborough Rapid Transit was to receive a total of $14,525,000 annually from the net earnings of the enlarged subway and elevated system, and this claim was a claim prior to that of the city, which is not to receive one cent from its investment until the guarantee of the operating system is satisfied. This is the so-called "preferential."

It was originally figured that to handle its end of the contract obligations, Interborough Rapid Transit would have to issue some $156,000,000 or $160,000,000 bonds, a total which included the refunding of the company's mortgage bonds and notes which were outstanding when the contract was made with the city. Now note the change. At present there are outstanding $160,585,000 first and refunding 5% bonds, and $39,400,000 7% notes due 1921. These notes were sold last July. Money conditions made it impossible for the company to raise funds through the sale of additional long term bonds, and conditions also forced the borrowing of the money, represented by the notes, on an 8¾% basis. Interborough, however, was not the only sufferer among borrowing corporations.

Instead of $160,000,000, Interborough Rapid Transit has almost $200,000,000 in outstanding bonds and notes, representing the company's share in providing for the transit lines. The increase over the first estimates has been due to higher costs of everything entering into construction work, and to a smaller extent, to the fact that the city has constructed more mileage than was originally contemplated. The company's rights are safeguarded in this additional expenditure, for from net earnings of the lines, it is entitled to deduct the cost of the money—and mark this difference, not merely the rate of interest which the securities bear upon their principal amount. So in place of $14,525,000, the preferential claim will total about $17,600,000. This sum includes other income, which Interborough may earn, and which does not come under the provisions of the contract with



the city. It must be remembered that this full preferential is not operative now, because all of the lines, that will comprise the system, are not yet fully completed and in operation.

The "Preferential" is Cumulative

The question naturally arises, will the enlarged subway and elevated system earn, from the start, enough to cover this preferential, which is deductible by the company after operating expenses, taxes, etc. It will not, and officials did not expect that it would. To provide for such a contingency, it is stipulated in the contract with the city that any deficit in any year or years shall become a cumulative charge against future earnings, and will have to be paid in full before the city may receive any return upon its investment. In addition, any such deficits will bear interest, payable to the company, and compounded. It was believed that by 1921 earnings would cover the full preferential, but the unanticipated rise in the costs of operation will in all likelihood lengthen this period of unearned preferentials.

On the basis of $160,585,000 5% bonds, and $39,400,000 7% notes, annual interest charges will be something like $13,000,000 including sinking fund allowances. This interest charge may not be considered permanent, as the 7% notes mature in 1921, and by what amount of long term bonds they will be replaced is uncertain. The notes are convertible into the first and refunding 5s at 87½ at any time before maturity, and are secured by $61,587,500 of that issue.

As the full preferential is not yet in effect, so full interest as mentioned above, is not yet a charge against current earnings. At present the proportion is about half and half, that is, half charged against current revenues, and half against construction or capital account. When, however, the whole system is completed, the full amount of interest becomes a charge against current earnings, and current earnings mean the full guaranteed preferential. In effect, the company will be entitled to eventually a minimum income of $17,600,000 to apply against interest charges and sinking funds in the neighborhood of $13,000,000 or possibly less.

If enough of the preferential is not earned to provide for current interest charges then the company has the choice, if interest is not to lapse, of borrowing against the accumulating deficiency accruals, a privilege provided for in the agreement with the city, or of making use of surplus accumulated from earnings of the old lines. As of June 30, 1918, Interborough Rapid Transit had a profit and loss surplus of $18,662,977.

Meanwhile the question of a fare increase agitates the situation. The accompanying graph will show the trend of earnings over the last six years to June 30, 1918. Since that date the margin between gross and net has continued to narrow, and in the four months ended October 31, 1918, operating ratio was 61% as compared with 47% for the same period of 1917.

A table showing the earnings for those four months is presented. It will be noted that a item called "accruals under the provisions of Contract No. 3 and related certificates which under these agreements with the city are payable from future earnings" is included in the earnings statement. This represents, in effect, the amount by which current revenues from

INTERBOROUGH RAPID TRANSIT INCOME STATEMENT FOR THE FOUR MONTHS ENDED OCTOBER 31, 1918

Gross operating revenue	$12,735,249	Inc.	$ 261,848
Net operating revenue	4,965,988	Dec.	1,586,348
Gross income	3,816,031	Dec.	1,705,260
Accruals under provisions of Contract No. 3 and related Certificates which are payable from future earnings	2,077,748	Inc.	1,235,489
Total	5,893,779	Dec.	469,771
Total charges	5,693,638	Inc.	1,410,850
Net corporate income	200,141	Dec.	1,880,621
Passengers carried	240,713,711	Inc.	2,654,278

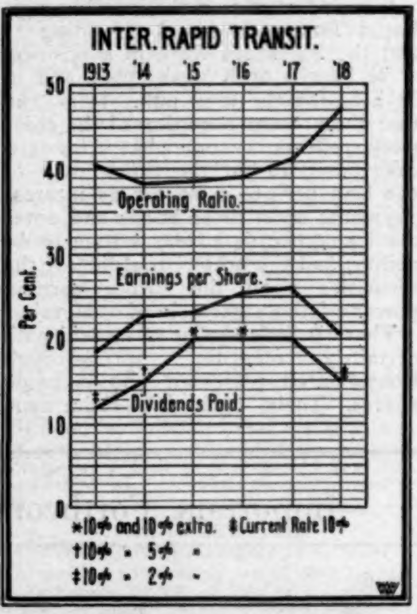
lines in operation have failed to earn the present preferential guarantee to which the company is entitled. It is a claim against future earnings, but does not represent "revenues in hand." Even including these accruals, interest was earned by a margin of only $200,000. The help that a fare increase would give is obvious.

Where the Holding Co. Stands

All of the foregoing naturally leads up to the position of Interborough Consolidated Co. This is merely a holding company. Of the $35,000,000 Interborough Rapid Transit stock, it owns almost $34,000,000 and holds most of the New York Railways stock, and controls the company operating the motor buses through the city of New York. Interborough Consolidated's main source of revenue consists of dividends from Interborough Rapid Transit stock. When this stock paid 20% in dividends, it was possible to pay the 6% dividend upon the Interborough Consolidated preferred, but when the dividend was cut to 10%, the present rate, it was necessary to forego the preferred dividends.

The collateral back of the Interborough-Metropolitan 4½s (the name of the company was changed to Interborough Consolidated a few years ago, but the bonds continue to be known as Interborough-Metropolitan 4½s) is $33,912,800 stock of the Interborough Rapid Transit Co. on the basis of $200 in bonds for each $100 stock. As long as dividends of 10% continue to be paid upon I. R. T. stock, the bond interest is safe, but there is a possibility that if a fare increase is not granted or if operating expenses do not decline, this interest may have to be passed. In short, holders of Interborough-Met. 4½s are potential stockholders of Interborough Rapid Transit Co. as that stock represents the collateral back of their bonds. The "equity" of the holder of each $1,000 bond is five shares of Interborough Rapid Transit stock. At 40 for the bonds, the technical valuation of the stock would be 80.

We have seen that the eventual sum to which Interborough Rapid Transit will be entitled from earnings of the enlarged subway and elevated system is about $17,600,000 including "other income," an item which now ranges between $500,000 and $600,000. Against this must first be applied charges of about $13,000,000 representing full interest on Interborough Rapid Transit's fixed charge obligations. The difference between these amounts would be about $4,600,000 equal to over 13% on the $35,000,000 Interborough Rapid Transit stock and sufficient to pay dividends large enough to provide for interest on the Inter-Met. 4½s.



We have also seen that this full preferential will probably not be earned at the start, and that the preferential, as it is now deductible, is not being earned. Thus the present position of the Inter-Met. 4½s is speculative, but for the long pull they have possibilities for the purchaser who buys for an indefinite period, and who, perchance, would be willing to go through a possible financial readjustment, and emerge as a holder of Interborough Rapid Transit stock.

If there is any future for New

York's tractions, this stock is far, very far, from a security of doubtful value. It must not be forgotten that the city has invested upwards of $100,000,000 in the new lines, and that its claim upon earnings is secondary to that of the operating company. Any embarrassment must be reflected in the city's investment, and incidentally in the pocketbook of the local taxpayer. The contract has been made and duly recognized by the courts, and the terms thereof are not subject to alteration except with the consent of all interested parties.

It would seem as if the Interborough Rapid Transit first and refunding 5s and the 7% notes were in a position to be bought upon weak spots, and to be held for the long pull. It is true that the present condition of the company reflects a somewhat awkward cash position, but the tiding over of the lean period, in so far as interest payments upon these bonds and notes are concerned, is a very strong probability, and the preferential lien of the securities upon the future earning power of the system is of real value.

There is little that may be said with certainty regarding Interborough Consolidated preferred and common shares. Their "equity," or claim upon earnings of the Interborough Rapid Transit Co. is, of course, subordinate to the satisfaction of interest charges upon the bonds and notes outstanding.

There is no possibility of any immediate return from the New York Railways Co. stock, and other sources of income are, at present, too small to be of real aid. It may be, that in the future, the combined sources of revenue will be large enough to better the position of the preferred.

In connection with the agreement which the Interborough Rapid Transit Co. has for operating the elevated lines, a provision is made that after the company receives its preferential, of which mention has been made, the city and company will divide further profits. This, however, is a source of revenue that is in the future.

As for Interborough Consolidated, it is a "long way from home." If a fare increase were granted, it is likely that some upward move would follow, but the stock is so far removed from income sources that its position is a decidedly inferior one. Under the caption "Intimate Talks to Investors" in this issue Editor Wyckoff discusses the investment position of the traction issues with definite recommendations.

Important Forthcoming Financial Events

Jan. 6
- Chicago, Rock Island & Pacific adjourned annual meeting.
- Miami Copper dividend meeting.
- U. S. Supreme Court reconvenes.

Jan. 7
- Atchison dividend meeting.

Jan. 8
- Illinois Central dividend meeting.
- United Cigar Stores dividend meeting.

Jan. 9
- American Malting special dissolution meeting.
- Reconstruction Congress by Popular Govt. League at Washington.

Jan. 10
- Illinois Central stockholders' meeting.
- Money Committee expected to continue after this date.
- Republican National Committee special meeting at Chicago.

Jan. 15
- American Sumatra dividend meeting.
- Pullman Company adjourned annual meeting.

Jan. 16
- Tobacco Products dividend meeting.
- 20% installment due on Liberty Bonds.

Jan. 17
- Armistice extended to this date.

Public Utility Notes

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS to purchase or sell

BROOKLYN RAPID TRANSIT DILEMMA

Increased Fare Would Improve Situation

That even the adverse operating conditions of 1918 were not able to pull down the company's earnings so that the margin of protection for fixed charges was dangerously impaired leads to the belief that with a higher income, available if fares were increased, the present talk of impending receivership would be stopped.

In fact, Brooklyn Rapid Transit, with some relief granted by way of increased fares, would be able to give a good account of itself. It still has traffic density equalled by few street railways, and the lay-out of its territory makes for certain operating advantages not enjoyed by Boston Elevated, for instance.

CITIES SERVICE CO.'S EARNINGS

Influenza Epidemic Hurts Nov. Earnings

Although the ravages of the influenza epidemic has made some inroads into the earnings of the Cities Service Company for November, a satisfactory showing under the circumstances was shown. Gross income for the month, after the usual reserves and other charges, was $1,821,533, an increase of $89,120 over November, 1917. After expenses, taxes and interest charges, net income was $1,719,005, and after payment of pfd. dividends the balance applicable for reserves, dividends on the common stock and surplus was $1,381,804.

For the 11 months gross income was $20,474,252, an increase of $2,934,442. After expenses, taxes and interest, net income for the 11 months was $19,794,980, a gain of $2,584,777, and after providing for pfd. dividends, the balance available for reserves, dividends on the common and surplus was $16,098,084, a gain of $2,268,282.

For the 12 months ended November 30, gross income was $22,186,936, an increase of $3,076,307. Net income was $21,477,178, a gain of $2,716,779, while after payment of pfd. dividends the balance was $17,447,988, an increase of $2,345,640.

DETROIT EDISON

$2,600,000 7% Bond Issue—Stockholders' Rights

Has authorized the issuance of $2,600,000 10-year 7% convertible debenture bonds which would be offered to stockholders for subscription at par. They are convertible between Feb. 1, 1921, and Aug. 1, 1928, into stock of the company at par. They are to be dated Feb. 1, 1919, and mature Feb. 1, 1929. They may be called for redemption on and after Feb. 1, 1923, and before Feb. 1, 1927, at 105 and interest and on and after Feb. 21, 1927, and before maturity at 102 and accrued interest on 60 days' notice, but when so called they may at the option of the holder be converted provided the conversion period has not expired. It was announced that the right to subscribe to these bonds would be offered to stockholders of record at the close of business Dec. 31, 1918, to the extent of 10% of their holdings at that time. Warrants will be mailed Jan. 8 to all stockholders and payment in full may be made on Feb. 1 or in three installments as follows: 50% Feb. 1; 25% May 1 and 25¼% Aug. 1, 1919. The issue is subject to the approval of the Capital Issues Committee.

PHILADELPHIA COMPANY

Dividend Action Postponed

Owing to the change of the fiscal year to end Dec. 31 the directors will not act on the next quarterly dividend, payable about Jan. 31, until after the beginning of 1919.

According to an official of the company, stockholders have nothing to fear as regards a disbursement on the common. Estimates of earnings show increases all along the line, with the exception of the railroad department and probably the coal end. Before minor deductions, the earnings for the system showed about $5,792,000 after fixed charges, taxes, etc., available for dividends on the $43,000,000 common stock outstanding in 1917.

For the year ending March, 1919, earnings are expected to total from 18 to 20% on the common. An increase in net of from $1,500,000 to $2,000,000 is looked for in the twelve month period ending March, 1919.

It is further intimated that a new financing plan will be forthcoming in the near future. This plan is expected to care for the funding of the company's entire indebtedness.

PUBLIC SERVICE

8,000,000 Fewer Passengers in October

According to monthly report filed by the Public Service Ry. Co. of New Jersey with the Board of Public Utility Commissioners as required by the order allowing increased rates, the company carried 31,971,373 passengers in October, of whom 25,917,057 were revenue passengers. The company carried 8,000,000 fewer passengers in October, 1918, than during the same month of 1917. The total passenger revenue for October, 1918, was $1,608,983, as against $1,551,941 for October, 1917. The total operating revenue increased from $1,589,105 for October, 1917, to $1,654,392 for October, 1918. For the same period operating deductions increased from $1,030,970 to $1,349,007. The total operating income of the company decreased from $559,129 in October, 1917, to $305,453 in October, 1918. The gross income for October showed a decrease from $569,204 to $309,958 and the net income fell from $136,947 to $124,832.

MINING AND OIL

Anaconda—Copper Manufacturer

Can it Maintain its Present Dividend on Normal Copper Prices?—Strong Financial Position—A Growing Company

By BENJAMIN R. STEELE

AT 60 per share Anaconda Copper yields exactly 10% on its new dividend rate of $6 per annum. Ten per cent is generally considered as the normal return for a mining company to make, and Anaconda's present price, therefore, would appear to have fully discounted the reduction in the dividend rate of from $2 quarterly to $1.50 quarterly.

Can Anaconda maintain its present disbursements on present metal prices?

Will the price of copper decline further, and if so, how much lower must it go before Anaconda's dividend is endangered? Should the investor buy now or should he wait for lower levels?

There are some of the points that this article will consider.

In the publicity which some of the newer coppers have received during the last decade, the fact that Anaconda is still the largest producer in the world has been relegated into the background. The name Anaconda, of course, applies to a number of producing properties grouped under one management and not to a single mine, but the Anaconda group turns out 25% of the total United States production, is the largest producer of silver in this country and will soon be one of the world's greatest producers of zinc.

The financial position of the company is very strong, its management unsurpassed and its equities include 100,000,000 tons of coal deposits, large timber holdings, valuable new properties in South America owned by its subsidiary, the Andes Exploration Co., and large holdings of Greene Cananea and Inspiration Consolidated copper companies.

Development of Anaconda

The present, or what might be called, the new Anaconda, is a far different proposition from the company of a decade ago. So diversified and extensive are its interests that it might seem almost correct to regard Anaconda more in the light of a manufacturing than a mining proposition.

Last year the company's zinc plants at Anaconda and Great Falls treated 326,479 tons of zinc-bearing ore, and at the Great Falls plant produced 50,624,524 lbs. of electrolytic zinc. Beginning with the current year the company's rod and wire mill began operations marking the entry of the company into the metal manufacturing business. The plant has a capacity of rolling into rods 100 tons of copper daily and of drawing into wire 80 tons of copper.

Anaconda's coal mines situated at Diamondville, Wyoming, Washoe, Montana and Sand Coulee, Montana, produced upwards of 1,000,000 tons in 1917. The saw mills at Hamilton, Hope, Bon-

ner and St. Regis cut 87,330,500 feet of lumber and purchased 16,476,014 feet. The subsidiary departments of the company including the electric light, street railway, water and foundry departments at Anaconda, realized a profit for the year of $363,312.

The company's Butte, Anaconda & Pacific Railway carried nearly 7,000,000 tons of freight, 355,000 passengers and showed a net income of $147,584. The smeltery at Tooele, Utah, of the subsidiary International Smelting Co., treated during the year 320,000, round figures, tons of copper ore and 335,000 tons of lead ore, from which were produced, respectively, 17,385,090 lbs. of fine copper, 84,726,315 lbs. of fine lead, 31,495,231 ounces of silver and 31,495 ounces of gold. The copper smeltery at Miami, Arizona, produced during the year 138,762,411 lbs. of fine copper, 201,859 ounces of silver and 2,953 ounces of gold.

But we have not reached the end of Anaconda's multifarious activities. The lead refinery at East Chicago, Indiana, produced 118,000,000 lbs. of common and corroding lead, 11,525,000 lbs. of antimonial lead, upwards of 5,000,000 ounces of silver and nearly 25,000 ounces of gold. The Raritan Copper Works at Perth Amboy, N. J., produced approximately 412,000,000 lbs. of copper, 20,000,000 ounces of silver and 138,000 ounces of gold.

Anaconda's Earnings

The graph herewith shows Anaconda's earnings per share as well as dividends paid during the last few years and the tabulation shows Anaconda's gross, net and surplus. It must be remembered that up to 1915 Anaconda was controlled by the former Amalgamated Copper, but that in June of 1915 Amalgamated went out of business, distributing to its stockholders its cash and holdings of Anaconda stock. Anaconda now owns and operates all of the former Amalgamated properties.

It would, of course, be incorrect to predicate the earnings of the new Anaconda on the old Anaconda, as the entire character of the company has changed in the last decade, but the table herewith giving Anaconda's earnings for the last eleven years shows what the company has done in the past and furnishes a basis on which to regard the company's future.

It is doubtful if the average investor realizes the magnitude of Anaconda's operations. Last year, for instance, its sales of metals, i. e., deliveries to customers, aggregated, in round figures, $109,000,000, while sales of merchandise totaled approximately $7,500,000 and royalties, tolls, rentals, etc., amounted to $6,668,000.

ANACONDA'S ELEVEN YEAR PRICE RANGE

	High	Low	Dividends Paid per Share
1908	51½	27½	$2.00
1909	54⅜	37¾	2.00
1910	54	33½	2.00
1911	41⅛	29	2.00
1912	48	34	2.25
1913	42½	30⅞	3.00
1914	38¼	24¼	2.50
1915	91⅝	65¼	4.00
1915	39	24¾	
1916	105⅜	77	7.50
1917	87	51⅛	8.50
1918	74¼	59⅛	8.00

Note—Par changed from $25 to $50 in 1915.

Dividend Margins of Safety

	Average Copper Price	Earned	Dividends Paid	Margin of Safety
1908	13.3c	$ 0.90	$2.00	—$1.10
1909	13.2c	1.77	2.00	— .23
1910	12.9c	1.32	2.00	— .68
1911	12.6c	1.85	2.00	— .15
1912	15.8c	3.65	2.25	+ 1.40
1913	15.2c	2.61	3.00	— .39
1914	13.4c	1.88	2.50	— .62
1915	17.2c	7.16	4.00	+ 3.16
1916	25.7c	24.85	7.50	+17.35
1917	27.1c	17.03	8.50	+ 8.53

Anaconda's future earnings and ability to pay the present $6 dividend depend upon the course of the copper metal market. At the present price of 23 cents a lb. there is no question of the present dividend rate. But will copper go up, remain stationary or decline? Best opinion in the trade is to the effect that the metal will decline gradually (see Copper in Trade Tendencies this issue). On this point Mr. W. R. Ingalls of *The Engineering and Mining Journal* writes:

We have previously expressed the opinion that eventually there is going to be a great demand for metals for reconstruction purposes, for the replenishing of depleted stocks of goods for ordinary commercial purposes, and for new construction for the institution of industrial economies, such as a more general use of water-power, etc. But before that is to be expected we regard it as inevitable that there will be a period of readjustment, during which there will be lower prices.

We have previously expressed the opinion that even if there had been no war the world's consumption of copper would naturally have been as large as it was in 1918. This would have been so if the old rule that copper consumption about doubles every 10 years had held good. We look forward to a great demand for copper after the period of readjustment, but it will not begin with the price for the metal at the present nominal level.

In 1915 when the average selling price for copper was a little better than 17c. Anaconda earned a little more than $7 per share and paid dividends of $4. It appears then that as long as the price for copper remains better than 17c. that the present dividend is safe. In 1912 and 1913 the average selling price for the two years was respectively 15.8c. and 15.2c. per lb. and Anaconda earned $3.65 and $2.61 on its stock. A sharp decline in the price of copper would, in all probability necessitate a reduction in Anaconda's present rate. In short Anaconda is still paying dividends and selling on a war-price copper basis.

ANACONDA'S EARNINGS FOR TEN YEARS

Years	Gross Revenues	Net Income	Year's Surplus
1908	$ 9,101,000	$ 1,083,000	*$1,317,000
1909	11,638,000	2,135,000	*265,000
1910	30,998,000	5,721,000	*1,209,000
1911	38,971,000	8,044,000	*565,000
1912	51,830,000	15,856,000	5,025,000
1913	44,434,000	11,323,000	*1,674,000
1914	37,130,000	8,789,000	*288,000
1915	68,256,000	16,696,000	7,371,000
1916	110,964,000	57,942,000	40,457,000
1917	123,239,000	39,721,000	19,906,000

* Deficit.


The Old and the New Anaconda Method of Handling Ore

Strong Financially

Anaconda, thanks to its big earnings of the last two years, occupies an excellent financial position. Current assets as of December 31 last totaled $71,328,647 of which $27,109,000 was in the form of accounts receivables and cash. Net current assets of working capital was in excess of $35,000,000.

Andes Copper Mining Co.

In its subsidiary the Andes Copper Mining Co. in Chile, S. A., Anaconda

is building for the future. This company has now upwards of 5,000 acres of which 1,003 acres consist of mining claims. Development work including drilling, arrangements for water supply and building of a transportation system are being actively pushed. Last year approximtely 5,500,000 tons of ore averaging 1.54% copper were developed. The thoroughness with which this development is being handled is indicated by the fact that the pipe line for the railroad water supply alone is 96 miles long.

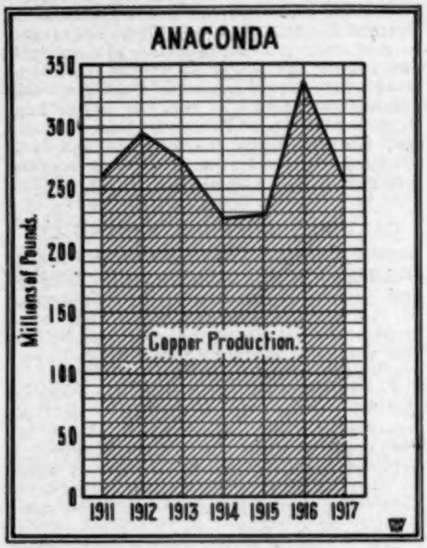
Exploration work in South America is being actively pushed and the company is constantly adding to its holdings in that country.

Among its stock holdings are 28,740 shares of Butte Copper & Zinc, 50,900 shares of Inspiration Consolidated and 2,700 shares of Greene Cananea.

Anaconda's Future

In this brief article we have pointed out that Anaconda is a highly developed organization with widely diversified interests—so widely diversified, in fact, that one might almost be justified in regarding it as a manufacturing rather than a mining proposition. But the copper end is and will continue to be Anaconda's chief source of revenue and its earnings, therefore, will continue to move in accord with the price of copper.

Anaconda has a splendid management, is in a strong financial position and has excellent prospects for future development. But as the best copper opinion is to the effect that the present trend of copper prices is downward and as it is not likely that Anaconda will advance while the metal is declining, it would seem that the best course for the prospective Anaconda investor to pursue would be to wait until the metal market shows signs of reaching the bottom. Anaconda



at 60 is a good investment on its present dividend but the fact that the company has not shown ability to earn that dividend in times past on what might be called normal prices of copper, injects so much uncertainty as to the continuance of that dividend, that a position of conservatism and caution is the proper attitude at the present time.

A RED CROSS BARGAIN.

DURING the recent Red Cross drive, stores were opened in a number of cities where contributed articles were placed on sale for the good of the cause. A woman in Oakland, California, had a fine pair of Chinese vases. One of them became broken, and, after endeavoring for some time without success to find a match for it, the good housewife placed it in the stock at the Red Cross store, without mentioning the matter to her family. Several nights later her husband came home with a vase under his arm, remarking that he had run into a wonderful piece of luck. "I have found the exact duplicate of your Chinese vase," he said exultantly, "and it cost only $20."—The *Wall Street Journal* Straws.

Mining Notes

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS to purchase or sell

BUTTE & SUPERIOR MINING CO.

Operations Curtailed

As a result of the action of the Anaconda Copper Company in suspending its receipt of custom zinc ore from the Butte District, Butte & Superior has reduced its operations to one shift, a 50% reduction. From present indications, there is not much likelihood that the Anaconda Company will resume its receipts of this ore in the near future. Whether Butte & Superior can find another outlet is uncertain and it is assumed that operations will continue on restricted basis for some time.

CALUMET & HECLA MINING CO.

Copper Contract Cancellations Not Large

Contrary to expectations this company and its subsidiaries has not been in receipt of cancellations of copper contracts on a large scale. Many of the contracts held by this company are not cancelable as buyers are legally bound to accept delivery.

For three years the French Government has been a very large purchaser of Lake Superior Copper. Calumet & Hecla has sold much of its metal to France, and it is believed that if the inquiry recently made by that country develops into actual business the Calumet group will have no small portion of it.

The declining profits of the last two or three months may not appear in the 1918 reports, but will be carried over into 1919 business. Under the bookkeeping practice inaugurated in 1917, the Calumet & Hecla management treats as earnings only the actual receipts from copper sales. As it takes about two months for copper to be turned into cash, there was in 1917 and will be henceforth a carry-over of no inconsiderable amount at the end of each twelvemonth.

CONSOLIDATED COPPER MINES CO.

Large Production From Bunker Hill and Morris Claims

Only a small part of the tonnage, shipped during October, came from the Ora Claim, from which the mining is done by the Nevada Consolidated in connection with its Liberty Pit operations. Most of the production of 1,479,024 lbs. during the month came from the company's porphyry mine in the Bunker Hill and Morris claims. The remodeled mill secured an average extraction of 78.06% of copper from the ore during October.

Development work in the Alpha Mine is encouraging. Drifts west and north on the 1,200-foot level have been in ore averaging 10% copper, which is a much higher grade than had previously been encountered on this level. The stopes above the 1,200-foot level are encountering ore of improving grade. Up to Nov. 20 there had been shipped from the 1,200 foot level over 2,000 tons of ore averaging 7.9% copper. A crosscut is being driven to open the ore zone on the 1,300-foot level.

COPPER EXPORT ASS'N, INC.

New Organization Formed by Copper Producers

American copper producers at a meeting Dec. 17, 1918, completed the formation of this organization, incorporated under the laws of Delaware, with a capital of $250,000 7% pfd. and 500 shares of common stock of no par value, to offset various foreign buying corporations in process of formation abroad. John D. Ryan, who was selected as Pres., Dec. 17, 1918, gave out the statement in which he said that the association was formed for the purpose of handling all the export business coming to the U. S., would eliminate competition and save for the producers a handsome sum each year. The plan calls for one share of common stock to be issued to each producer who joins the combination, the one share to have neither market nor par value. On all voting, however, the one share of stock of the producing company can cast one vote for each 500 tons of copper produced for export in the preceding twelve months. Mr. Ryan estimated that the production of copper in 1919 would be approximately 2,500,000,000 lbs., and if, as in normal times, 60% of this production is exported the total that will leave seaports will be approximately 1,500,000,000 lbs. Estimates have recently been made that Great Britain, France and Italy will require 425,000 long tons of copper in 1919, amounting to 925,000,000 lbs. This total is divided as follows: Great Britain 200,000 tons, France 145,000 tons and Italy 85,000 tons. If Germany and Austria get into a position where they will again enter the world's commerce the total to be exported from the United States will be increased by something like 500,000,000 lbs.

DAVIS-DALY COPPER COMPANY

New Developments Needed

It is estimated by those familiar with the Davis-Daly Copper Company's operations that $2,000,000 should be spent on underground developments to properly open up the property and build a new smelter. In view of this expected outlay, some doubts are held by stock-holders as to the advisability of paying dividends.

In May, the company paid its first dividend of 50c a share on its 600,000 shares. In November, it declared half of this

amount, making a total of 75c for 1918. After payment of this last disbursement, the company had net cash assets of $450,000.

With depth Davis-Daly has uncovered increasingly large ore values. The property is opened down to the 2,500 foot level and many tonnages go forward averaging over 17% copper. The net average during November from all levels was over 8%.

FEDERAL MINING & SMELTING

Report, Quarter Ended Oct. 31, 1918

Showed net earnings of $371,972, compared with $323,309 in the quarter ended July 31 and 431,608 in the quarter ended Oct. 31, 1917. Pres. Brownwell in his report said no account was taken of either ore depletion or depreciation, that being left for the end of the year. During the quarter the company's shipments amounted to 18,149 tons, against 19,397 tons in the July 31 quarter and 32,818 tons in the corresponding quarter of 1917.

GREENE CANANEA COPPER CO.

Labor Strike Curtailed Operations

During the middle of November, due to an incipient labor strike, the Greene Cananea Copper Company's operations in Sonora, Mexico, were curtailed about 50%.

While the mining end of the operations fell off, milling operations were not seriously interfered with, there being sufficient ore on hand to keep the mill going. The grievance of the Peons was a fancied one, and was soon adjusted so that on December 1st, mining was again going forward and conditions returned to normal.

The labor situation in this district was somewhat strained during the past year, due to the fact that many Mexican laborers moved North, to enter the shipyards along the Gulf coast of Texas, and to work on the South-western farms and plantations. However, this situation is being adjusted in that a secession of work on a large scale in this direction is returning this labor below the Rio Grande.

MAGMA COPPER

Production, November, 992,000 Lbs.

Production for November, 1918, was reported as 992,000 lbs. of copper, against 949,455 lbs. in October.

MASON VALLEY MINES CO.

Production, November, 1,073,200 Lbs.

Production for November, 1918, was reported as 1,073,200 lbs. of copper, against 1,080,200 lbs. the preceding month.

POND CREEK COAL COMPANY

Dividend Reduction Reflects Uncertain Outlook

The reduction in this company's quarterly dividend from 50c to 37½c a share, reflects the uncertainty both as to the 1918 Federal taxes and the bituminous coal outlook.

Pond Creek expects to earn for the 1918 Calendar year, something in excess of $1,100,000, before income and war excess profit taxes, but after charges, depreciation, etc. This compares with $1,350,000 earned before Federal Taxes in 1917.

In 1917 Pond Creek reserved $600,000 for taxes, and even on smaller earnings in 1918 the tax may be as large, if not larger.

Federal taxes bear down particularly hard on Pond Creek. The tax may run up to $700,000, which would be more than 60% of total net profits. The balance then remaining for the stock would be only $400,000, or equivalent to $1.90 a share on the 208,900 shares. If the tax is $600,000, as in 1917, the balance remaining would be equal to $2.40 per share.

UNITED VERDE COPPER COMPANY

Copper Produced at Rate of 6,000,000 Pounds Monthly

The 1918 output of United Verde Copper Company is expected to run close to 75,000,000 pounds. The Company has been producing copper at the rate of somewhat exceeding 6,000,000 pounds monthly.

Throughout the two preceding years, United Verde made monthly disbursements to its small list of stock-holders, but for the last half of the 1918 year, no dividends were paid. However, in the four months from January to April, inclusive, of 1918, the company distributed within 25c per share of its total 1917 dividend, the four months' payment aggregating $17, against $17.25 paid in 1917.

UTAH-APEX MINING COMPANY

Company Troubled by Law Suits

Adding to the already imposing list of court actions against this company, the Utah Consolidated Mining Company has filed two new suits against Utah Apex in the United States District Court, in Salt Lake City. One action for $100,000 damages relative to Yampa Lime Bed—Load claim declares that both the property and the cause for action were jointly purchased by the plaintiff from a third party on August 2nd, 1918, and that since then, and prior to that time, the Utah Apex has been working veins in the said property.

Also for a year of Utah Apex's bank balances has been tied up under attachment for $200,000 by the Utah Lead & Copper Co. This last piece of litigation has been settled, the Utah Apex paying a substantial sum with interest at 8% from date of first alleged illegal extraction of ore.

According to its last annual report Utah-Apex sets up $70,000 as a reserve for "litigation." But from indications this sum stands to be considerably augmented.

Investment Value of Royal Dutch Petroleum

Policy of Combining Production and Distribution—Its World-wide Interests—Earnings, Dividends and Reserves

By N. L. B. TWEEDIE

PAR VALUE of ROYAL DUTCH CERTIFICATES dealt in in New York is 33 1-3 GUILDERS. The value of a "Guilder" varies between 40.20c and 50c, but the current quotation of about 42c seems sufficiently established. For general purposes THE ROYAL DUTCH certificates dealt in in this Country may, therefore, be regarded as having a PAR VALUE OF $14.

THE organization and growth of The Royal Dutch Shell Group forms a chapter in the industrial and financial history of Europe as fascinating and interesting as that of the Standard Oil Company in the United States. The Royal Dutch Petroleum, from a mere oil producing company, has become, through its combination with the Shell, the largest single organization in the world engaged in the oil producing, refining, carrying and distributing business. It owns and controls subsidiary companies in practically all parts of the world; but it differs from the Standard Oil organizations insofar as it has not been compelled by law to split up into separately managed corporations and is, under the direction of its president, Mr. H. W. A. Deterding, guided from one central authority,—a fact which makes for efficiency and economy. The policy pursued by the company has been to bring production and distribution as close together as possible, thereby saving transportation costs, while at the same time through the central organization being able to regulate conditions at any given point according to special condition of supply and demand. This policy also furnishes close touch with local conditions and confers the benefit of anticipation and quick action should the necessity arise.

Grew From Humble Beginnings

From the humble beginnings of a small oil producing concern in the Dutch East Indies, which in the early stages found it difficult to obtain the necessary financial backing, it became one of the largest oil producers and later through its co-operation with the most important financial interests on the continent of Europe and by its pooling of interests with the Shell Transport Company of London, an industrial undertaking of the first magnitude and one on whose possessions "the sun never sets." The Shell Transport Company had a world-wide distributing and refining organization and a big fleet of tankers against the production organization of the Royal Dutch. The community of interests is worked out in the form of divisions of profits, of which 60% are paid over to the Royal Dutch and 40% to the Shell. The relations between the two companies are harmonious in the highest degree, and the combination has pursued the wise policy of making itself the friend of both its customers and of its employes. There has never been antagonism to the combine from any quarter and steadily progressive and highly remunerative business has been enjoyed. Immediately on the outbreak of the war the Royal Dutch Shell interests worked hand-in-hand and to the utmost of their capacities with the Allied governments, while continuing at the same time the policy of commercial enterprise and progressive expansion. In certain countries the company's trade, owing to the war, has been disturbed, in others the result has been the opposite, but, on the whole, the earnings

and general progress has not only been fully maintained but increased profits have been secured and mostly used to straighten the already large reserves and cash resources.

Shell Transport shares are quoted in London only, while Royal Dutch were introduced on this market late in 1916 by Kuhn, Loeb & Co. The events since 1917 prevented the merits of this stock becoming recognized in this country and its distribution in accordance with the high yield and the company's great financial strength. There have lately been distributed subscription rights which were salable around $25 per share and there is now being issued a stock bonus of a value of $35 a share. This coupled with the yield of between 9 and 10 per cent on the shares during 1917 and 1918 has attracted considerable attention to the security and its investment value.

A Holding Concern

The company is a holding company with a capital of $68,760,000 common stock issued out of an authorized total of $80,400,000. There is no funded debt but $12,060,000 4% priority and 4½% preferred stock.

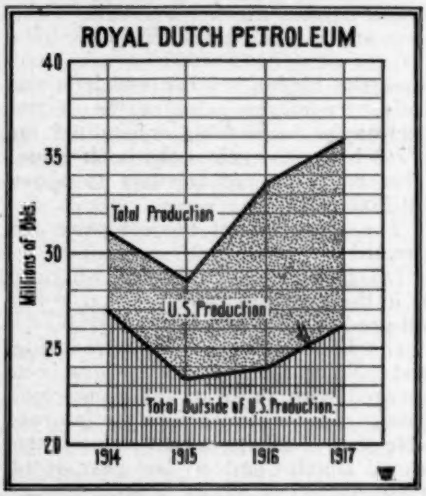
The producing business of the company is mostly vested in The Bataafsche Company with a capital of $56,280,000 and the distribution and transportation business in the Anglo-Saxon with a capital of $40,000,000. The properties of these two companies are partly managed direct but mostly organized into sub-companies. The Angle-Saxon owns the ocean-going fleet which embraces some 260,000 tons of tankers and other ships.

As separate concerns are held the majority of the shares of the Asiatic Petroleum Company, the capital of Astra Romana (The Roumanian properties), and the total capital of Roxana Petroleum Company of Oklahoma, and The Shell Company of California (which embrace the properties in the United States). The company also owns $3,000,000 face value of shares in The Shell Transport and Trading Company and some $800,000 face value of shares in various concerns.

Revenue From Dividends

The revenue of the company is mostly derived from the dividends received from these various undertakings of which The Bataafsche Company paid an average of 23% and Angle-Saxon an average of 10½% during the last six years. The Asiatic Petroleum paid somewhere near 140%, etc., etc.

The Royal Dutch distributed to its shareholders dividends from 1902 to 1912 an average of $5.32; 1913, $5.70; 1914, $6.75; 1915 and 1916, $6.85; 1917,



$5.15; 1918, $7.65. In addition thereto there were distributed stock dividends (subscription rights at par) which were worth, in 1907, $72 per share; in 1916, $16 per share; and in 1918, as above, $50 per share.

The company has just announced that it will pay in 1919 on its increased (doubled) capital the usual interim dividend of 15%, equal to about $2, which distribution should take place at the beginning of February. The chairman of The Shell Company stated officially that the profits for 1918 in respect of which the 1919 dividend payments are made promise to exceed those for 1917. At the same time he announced that the burden of taxation was so constantly increasing in all countries that it would be improbable

that a larger distribution would be possible than the one made in 1917. This announcement was made before the Armistice and as it included the statement that with the restoration of peace the shareholders would reap in full measure the reward of their enterprise and industry, it is not impossible that increased revenue will accrue to the Royal Dutch shareholders during 1919.

Two Kinds of Reserves

The reserves of the company consist of two kinds: There is first, the actual surplus which amounted, for the year ended Dec, 31st, 1917, to $30,160,000 (of which $14,540,000 was cash) and then the hidden reserve which is the difference of the actual value of the company's shareholding, capitalized on a 7% basis, as against the book value. This latter reserve amounts to about $192,000,000.

The properties of the company are situated

(a) In Dutch East Indies, where it is in the predominating position in the oil producing enterprises.

(b) In Russia, very large producing and refining interests which have been merged with those of the Rothschild group. In consequence of the lamentable state of affairs in that country, the Royal Dutch Company last year wrote these properties off its books.

(c) In the United States, (1) considerable oil lands in the Midwest: Oklahoma, Kansas, Texas, etc.; pipe-lines and several refineries of which a new one at St. Louis has just started work; (2) in California, considerable oil-lands in the Coalinga district and in the County of Barbara; pipelines, refineries, tank cars and a great distribution organization on the Pacific Coast.

(d) In Mexico, very considerable holdings of oil fields and producing wells of very large capacity all over the country; considerable storage capacity amounting in all to about 2,500,000 barrels; a 10-inch pipe line from Panuco to Tampico and many other important interests.

(e) In Venezuela, considerable concessions which are showing a large production and are being further systematically exploited; also various refineries, storage plants, and pipe lines, etc.

(f) In Curaco, a large refinery and a fleet of barges and tugs which transport the Venezuelan oil to the refinery.

(g) In Egypt, very considerable and increasingly productive wells, a large refinery at Suez, and there are under construction further refineries.

(h) In Roumania, very large wells, refineries, etc., etc.

(i) Persia, large interests in conjunction with the British Government.

(j) Panama, large storage plants at each end of the Canal.

Production

The production of the company rose during the war from 28,400,000 barrels in 1915 to 34,300,000 barrels in 1917. The proportion of production in 1915 and 1917 was:

1917 was:	1915	1917
United States	17.50%	28.40%
India	36.50%	34.80%
Russia	34.80%	31.70%
Roumania	....	7.82%
Other fields	3.38%	5.10%

PRICES

Fluctuations American Shares Were:

	High	Low
1902 to 1914	87⅞	48¾
1915	75½	60¾
1916	88¼	67
1917	70½	59
*1918	100	75
†1918	144	98
‡1918	82	59

* With bonus and rights. † Ex rights only. ‡ Ex both bonus and rights.

Problem of Par

There has been considerable misunderstanding over the par value of Royal Dutch shares as quoted in this country. The Royal Dutch shares quoted in Amsterdam are of a par value of 1,000 guilders, equal to about $420 and these shares are quoted ex bonus and rights now about 500% in Amsterdam. This, on the American Equivalent of $14 par is about $70 per share, the price at which it is today selling on the N. Y. Stock Exchange. The shares quoted in London are of a par value of guilders 100, but as the British Government during the war requisitioned all British holdings, there is no price available. In order to bring the shares to be quoted in New York within reach of the ordinary capitalist, Messrs. Kuhn & Loeb at the time of

the introduction arranged that the equitable Trust Company issue Trust Certificates, representing one-third of 100 guilder share (33 1-3 guilders equal to about $14 per share). Lately on account of some legal difficulties regarding the issue of shares emanating from the subscription right and the bonus, the holders of the shares of the above original issue have been invited to exchange their certificates free of charge into others issued under a new agreement with the Equitable Trust Company's trust department, under which new agreement the bonus and subscription right shares have already been delivered to the stockholders.

(The above mentioned dividend will be payable on all shares, exchanged or otherwise.)

It has lately been announced that during the war the Royal Dutch Shell group's services have been invaluable to the Allied governments and the companies have received official thanks. While it was generally known that the companies constructed in France large storage and packing establishments for oil and oil products and were managing this whole organization, it has, now only been made known that the company practically saved the Allied munition problem early in 1915. It discovered then that toluol existed in large quantities in the crude from its wells in North Borneo and through putting this product at the disposal of the Allied governments the latter were able to replenish their stocks of this indispensable base for high explosive and later largely exceed the production of the Central Powers in munitions. Now, with the end of the war, all the products and the energies of the company will again be devoted to peaceful pursuits. Transportation will again be unhampered and the shares with their superb equities would appear to be a sound investment around current quotations in the New York market.

TRACTION FINANCE SITUATION CRITICAL

A. J. HEMPHILL, chairman of the board of the Guaranty Trust Company, in a hearing before the Public Service Commission on the proposed increase of fares on the lines of the New York Railways Company, testified that bankers are alarmed at the precarious financial condition of traction companies in this city and the state, and that unless relief is afforded the companies a financial cataclysm will follow the extent of which cannot be measured. During the interrogation of Mr. Hemphill, Commissioner Ordway put this question:

"Mr. Hemphill, in considering this question of whether the New York Railways Company should be allowed to make a charge for transfers at points within the jurisdiction of this commission, we regard as one of the factors to be considered what the effect of that will be upon the financial community toward the railroad."

"The present condition of the traction situation in New York and throughout this state has filled bankers with alarm," he replied. "Unless some relief is given there will be a cataclysm from which we will not recover for a generation. It will be impossible for bankers ever again to recommend to their clients securities of traction systems, to the service of which the growing towns and cities in this great state are entitled.

"Bankers and investors will not put up any money for a traction security. Bankers will not recommend it—they cannot. And, as I say, the situation is one that fills them with profound alarm, because the amount that is invested in this state alone in such securities amounts to considerably more than a billion dollars, and we feel that that entire structure is about to be brought down, unless some relief is given.

"We would like to see the commission take some very broad, constructive attitude on this question of relief.

"I happened to have been in the past watchful of this whole situation, and I must say that I am greatly disturbed. My own personal investments have been wiped out in tractions."

Oil Notes

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS to purchase or sell

COSDEN & CO.

New Pipe Line Planned for Ranger Field

Interest identified with Cosden & Co. planned a new eight-inch pipe line from the Ranger oil field in Texas to Tulsa, Okla., thus furnishing an additional supply of crude oil for the company's refinery at Tulsa. It was stated that a new company would be formed under the name of the Southwestern Pipe Line Co. to construct and operate the line, about 250 miles in length and costing approximately $5,000,000. It would be the sixth outlet from the Ranger field to the Mid-Continent field.

GENERAL PETROLEUM CORP.

New Financing Plan

Following the granting of a permit for new financing by the California Commissioner of Corporations, the President of the General Petroleum Corporation announced that common stock holders would be given the privilege of subscribing to a portion of the increase in capital stock, authorized at the annual meeting, on a basis of 10% of their holdings.

At present, there is outstanding 13,490,200 of common stock, or 134,902 shares. Ten per-cent of this amount, in newly authorized stock, is to be sold to the present stock holders as permission to sell 13,600 shares or a little more than 10% of the amount of common outstanding, has been obtained. The plan further provides that no fractional shares will be issued, but stockholders owning five or more shares will be entitled to subscribe for an additional full share. No trading in "rights" is expected, as the company announced subscription rights purchased from present stock-holders will not be recognized.

KERN COUNTY FIELD

New Records Made in This Field

In one week, there was reported nine new drillings in the oil fields in Kern County. Operations would have been more extensive, but lack of pipe caused a delay.

Great activity was shown in the Midway fields during the past week, seven wells being spudded in. For the first time in many months a new drilling was not started in the McKittick and Sunset fields.

The Southern Pacific company, fuel oil department, especially was active and if the concern maintains its present pace a wonderful production mark will undoubtedly be established in 1919.

Four new drillings were started by the company, the wells being in the Midway fields, each in section 27, 31-23. All told, the concern now has in the neighborhood of forty-six wells in this section and plans are being made to spud in several more holes during the early part of January.

PRAIRIE PIPE LINE CO.

Construction Ordered Suspended

An order, the cause of which is not as yet understood at Galveston, has just been received by this company from the War Industries Board at Washington to suspend, until further advices, all construction of the large oil terminals which it was preparing to build upon Pelican Island, Galveston. The order also applies to the construction by the company of a large pumping station at Virginia Point, on the mainland just across Galveston Bay from Galveston. The company has everything in readiness to begin the construction of a pipe line from Ranger to the site of its proposed terminals upon Pelican Island. Of course, without terminal facilities the line cannot be built.

STANDARD OIL OF NEW YORK

Acquisition of Magnolia Petroleum Company an Asset

With the view of increasing the refining capacity of the company, a substantial interest in the Magnolia Petroleum Company was obtained by the Standard Oil of New York about a year ago.

Since the New York Company is mainly a marketing concern, selling petroleum products in New York and New England and in the Far East, it is forced to make large purchases of gasoline from other refining companies in order to meet the demand in its territory.

Under former conditions, with a restricted refining capacity, the company built up a surplus account at the end of 1917 of more than $90,000,000, an increase for 1917 of $21,750,000. Earnings in 1917 were $39,376,000 after expenses, depreciation and reserves. After payment of Federal war taxes there was left $30,000,000 for dividends on the $75,000,000 capital stock.

TEXAS CO.

Capital Increased to $85,000,000 Approved

Stockholders approved the increase in capital stock from $69,375,000 to $85,000,000 voted by directors in October. Of the $15,625,000 increase, stockholders were offered $13,875,000 at par, $100 a share, which is equivalent to 20% of their holdings. It was announced that the first installment on the new stock would be 50%, due Feb. 3. The second instalment of a similar amount will be due to draw interest to June 30. The new stock will share in dividends from July 1, 1919. The remaining $1,750,000 of the new stock will be sold at par to a trustee for allotment and sale to employes. The books are open for stock transfer.

UNLISTED SECURITIES

The Searchlight

The Why of the Coppers—Are they attractive?—The Attitude of the Investor—Some Coppers to Buy Now

By "QUIZZ"

THE comparatively low levels to which mining stocks have fallen, particularly those in the copper group, will in all probability cause investment attention to be focused on them for some time. The writer's reason for this assumption is that he has noticed that investors make active inquiry when their favorite has fallen from considerably higher levels, and, "hung up," they are worried and like to delude themselves into the belief that the cure-all is to "average out" at the lower level. The great majority finally get tired and sell out near the bottom, thereby acting contrary to common sense principles of buying when stocks are low and selling when they are high.

This topsy-turvy psychology is cleverly discussed in "A Specialist in Panics," a story that no careful investor can afford to miss. If readers have sufficient confidence in the suggestions given in the "Searchlight," I sincerely and earnestly counsel each one to secure the story, which is included in the book, *"Fourteen Methods of Operating in the Stock Market."

"The Specialist" shows how it is possible to secure a competency—if not a fortune—by investing in bargains *only during panics.* Conversely the time for selling out is—*only during a boom.* Whether such a method is practical may be judged from that author's experience in building up a competency on the proverbial shoe-string. Such methods are not offered for a suggested repetition of the "Specialist's" good fortune, but their principles if followed would prevent the sacrifice of such perfectly good securities as Utah, Anaconda, Inspiration, Magma and Kennecott, only to be repurchased when speculative enthusiasm is at a high pitch, and the same stocks are selling considerably higher.

Why the Copper Stocks?

Remembering that we are dealing with curb securities, especially those selling at a moderate price, it would be entirely contrary to the writer's investment principles to draw attention to them or recommend their purchase when everybody else is doing the same thing. No one wants the coppers today because they are commencing to lose the lustre of war romance, exaggerated estimates of earnings, and the possibilities of unlimited dividends, which almost everybody pointed out in the excitement of 1916 and 1917.

Conversely, when market letters, the newspapers, and learned financial articles are now reversing themselves and pointing to the time when copper will sell for 16 cents a pound and less, it is time to look over the situation and soberly ask ourselves, "Is it time to buy or sell?" The proper time to ask the question is when securities are selling low *and approaching bargain levels.* Our functions being limited to curb securities, the writer need not go into the investment merit of the copper leaders selling on the Stock Exchange between 20 and 75.

Special attention is devoted to the coppers in preference to gold and silver securities because the business of producing the red metal has been stabilized and placed upon an industrial basis to a greater extent than gold, silver, lead or any others in which there is the least investment interest. Ore reserves and grade can be calculated with fine approximation to actual results, as the production figures of such companies as Utah, Kennecott and Anaconda prove conclusively.

* $1.06 postage prepaid, Magazine of Wall Street's Book Dept.

The cost of producing a single pound of copper can, or should be, estimated to within a fraction of a cent under any set of normal circumstances. In the case of the porphyries, more than any other group, the life of the mine can be measured up with remarkable fidelity so that the producing companies shall know many years in advance what to expect of the future.

The Uncertain Factors

The element that injects uncertainty into the situation, an uncertainty which is reflected in the wide price swings of the coppers, is principally the question, "the selling price of copper?" How serious the difference of a few cents a pound is may be judged from the fact that the present decline from 26 cents to 23 cents a pound for the metal is estimated to affect Anaconda's earning power to the extent of $4 a share.

The decline in the selling price has only commenced. How far will it go? Will copper ever sell at the pre-war average levels between 12 cents and 16 cents a pound? If copper should decline to 16 cents a pound or less, will the producing companies overcome that handicap by producing at a lower cost than before by improved metallurgical science, or more efficient methods of mining, treating and handling? Will demand ultimately overcome the supply under a probably five-year era of reconstruction?

The inability to answer these questions with any degree of certainty is *the* thing that places the copper securities in the speculative rather than the investment class.

A secondary reason exists why a copper security cannot rightly be placed in the investment class. Those who have been bold enough to describe the coppers, good, bad and indifferent, as "speculations," have been bitterly assailed for their rather free us of that word, and I am prepared to admit that it might be better to employ another term when speaking of securities like Utah, Anaconda, Calumet & Arizona, Calumet & Hecla, Chile, Kennecott, Ray Consolidated and all other established producers whose ore reserves are sufficient to keep their mines going from ten to fifty years. The ingenious term "specvestment" (invented by THE MAGAZINE OF WALL STREET) is the correct description. Calumet & Arizona owns the New Cornelia, while Kennecott owns the Braden Company. These are companies owning mines which will probably outlive all excepting our youngest readers. Utah owns a mountain of ore, while Chile's holdings are almost beyond conservative estimate. These are the *investment* features of such securities.

But it must never be forgotten that every pound of copper taken out of the ground is so much copper lost forever. Nothing can be put back, and more is coming out each day. The day is always approaching when the drills will meet with no result, and the mills will be finally silenced. The dividends are not paid out of earnings, as the economist understands it, but out of hoarded surplus which nature has provided. The surplus growing smaller each day, cannot be replaced or added to in any way as is the case with a purely manufacturing enterprise, which can theoretically go on producing forever. These are some of the *speculative* features of mining securities.

The combination is correctly a "specvestment."

The Investor's Position

While mining securities, generally speaking, are not desirable investments for those dependent on a continuous income, because the capital investment might shrink: and while they are entirely unsuitable for trust funds, the funds of dependent women, or the "small investor" with no money to lose, the best of the coppers form a very attractive medium for the *specvestment funds* of those who have a surplus which they are willing to devote *to that purpose, at the right time.*

They should only do so with full knowledge that they are not *investing,* as this word is known in its most conservative sense. They should only buy when they can secure their intended holdings at a reasonable price. They should never participate in booms, nor even buy the

coppers when dividends as well as the price of copper are around high levels.

Dividends come out of surplus. They are called "dividends" by custom rather than by right. Such payments are "capital distributions," and the investor who recognizes this will realize the importance of amortizing his investment by setting aside everything he receives in the way of "dividends" above a 6 per cent return on his money, to reduce the cost price of his holdings, and provide an insurance fund against diminishing capital values.

Some of the largest conservative mining companies do this for the investor, but there can be no harm in making assurance doubly sure. A good deal of harm has been done in the past by leading investors to believe that they receive a very high yield by purchasing mining stocks in preference to the more conservative railroads and preferred stocks of old established industrial enterprises.

It is to be hoped that the liquidating nature of every mining company's assets will make it clear why such high yields exist, and why the best investment opinion expects a 10 to 15 per cent return on mining investments. That same opinion does not hestitate to set aside from 4 to 8 per cent out of "dividends" received for the purpose of amortizing its investment.

A clear idea of the nature of "a mining investment" will prevent the holder of the high-grade railroad stocks yielding from 5 to 7 per cent, from sacrificing them because he needs (or thinks he needs) from 10 to 15 per cent. No real *investment* sells long upon any such high-yield basis. Where a very high yield exists or is offered to an investor, he ought to make further inquiry.

Anyone who desires to make a closer study of the subject of amortization, which has been discussed frequently by THE MAGAZINE OF WALL STREET, can do so by securing some of the numbers in which the articles appeared. I have also gained some good information from *Pickering's "Analysis of a Mining Share," a treatise which will repay careful study.

* MAGAZINE OF WALL STREET'S Book Dept.

Coppers of Merit and Demerit

The reader who is mainly interested in the moderate priced curb securities that have been placed under "The Searchlight" is doubtless looking for our views on this subject. The low prices at which they are now selling afford a timely opportunity to review very briefly some copper securities that come within our scope. Nothing but an opinion is possible within the limits of the space at our disposal, but we indicate how a more exhaustive examination can be made.

Confining our attention to the legitimate, listed, active and semi-active copper mining specvestments that are traded in on the New York Curb (their principal market), a broad division can be made by separating them into those selling above 10 and those selling below 10. In the former class are:

Magma.
United Verde Extension.
New Cornelia.

In the latter class (omitting those which are either inactive or in which there is little or no interest) the low-priced coppers qualifications are the following:

Consolidated Copper Mines.
Davis-Daly
Ray Hercules.
Howe Sound.
Mason Valley.
Canada Copper.
Consolidated Arizona Smelting.
Mother Lode of Alaska.

We have not included a number of meritorious semi-development and prospective coppers in this list because of the difficulty of analysis, the fact that they are not in the "dollar class" or because they are not sufficiently seasoned marketwise to justify the writer in believing that their market quotations are stable. They could be included in a separate list, which for the sake of completeness should be given:

Gibson Copper.
Arizona Binghampton.
Boston and Montana.
Jerome Verde.
Big Ledge.
First National.
Superior and Boston.

Before proceeding to comment on any of these securities, the reader is reminded of the existence of THE MAGAZINE OF WALL STREET's "Unlisted Securities Guide," which has given statistical data and ratings of all of them; also the various articles that have appeared in the Magazine giving a careful analysis of the majority of them. I suggest that the "Guide" and analyses be carefully studied to supplement the writer's opinion.

MAGMA.—No other "curb copper" has come in for so much attention, praise and blame. Very few mining securities act so strangely in the face of the well known prospects of the company. Speaking to a prominent engineer, the writer was assured that Magma's ore bodies extend well below the 18th level, in fact (as the engineer expressed himself) "as far as China." New strikes are constantly occurring, a recent one showing indications of the existence of a new ore body. The ore is all high grade and when producing costs come down, and the company is able to place its new three-compartment shaft into operation, Magma should be producing in quantity at a moderate cost, to show profits commensurate with the very high opinion that the best posted experts entertain of the company's future.

There are but 240,000 shares issued, of which 80 per cent are held by inside interests (Col. W. B. Thompson and associates). These interests have apparently been averse to any market demonstration founded on outside enthusiasm, and it has been a simple matter to move the stock up or down on small transactions. While the recent decline to around 25 might be partially due to weakness in the coppers generally, very little real stock comes out on the fluctuations. The quotations appear to be nominal, and in the writer's judgment Magma under 30 offers exceptional possibilities in its class to the investor who can purchase his stock for cash and hold it for present and future returns in the way of income. Those who bought it higher up should unhestatingly average.

NEW CORNELIA.—This is the principal producing subsidiary of Calumet & Arizona, from which the parent company will draw some of the wherewithal to pay its own dividends. The productive career of this company has just commenced, and good judges of the constructive coppers believe that this low-cost producer is entitled to sell above its prevailing figure around 18. The stock is inactive, and the average investor would prefer to buy it "when it moves?" When that time comes, we might have something more to say.

UNITED VERDE EXTENSION.—From 30 cents to over 30 dollars tells part of the story of this neighbor of Senator Clark's United Verde. It is doubtful whether the current price around 35 discounts all possibilities, and it is well known that inside interests are not selling. As the second great producer of high grade copper in Jerome, "Verde Ex" will bear watching if ever a boom or a panic takes place in the coppers. I doubt whether it will pay to buy now, excepting for a very long pull.

CONSOLIDATED COPPERMINES. — This company was discussed in the March 30 issue of THE MAGAZINE OF WALL STREET. The shares have constructive features along the lines of Nevada Consolidated. Its principal mines adjoin that company's holdings; the market for the shares is a satisfactory one, and deserve "specvestment" attention.

DAVIS-DALY.—This is a substantial producer which owns valuable copper acreage under the city of Butte, Montana. While differences of opinion exist on the subject of its ultimate copper possibilities, due to the acreage being outside the zone of the established copper producers of the camp, the weight of reliable opinion favors the view that Davis-Daly is going to be a profitable copper producer in good time. The shares are not very active, but form a satisfactory "specvestment" medium at times.

RAY HERCULES.—This company was discussed in our February 2 issue. The company owns large acreage in the Ray District of Arizona, and the churn-drills have proven the existence of substantial porphyry copper ore bodies, sufficient to insure many years of profitable mining. The first unit of the company's new mill is in operation, and, although the initial

runs have proven disappointing so far as grade is concerned, the equipment is new and the tests by no means conclusive. The shares around 3 offer about as good a speculation in the coppers as any selling at such a low price.

HOWE SOUND.—Was analyzed in our February 16 issue. The company owns a valuable copper mine at Britannia Beach, B. C., and a promising silver mine near Chihuahua, Mexico, and owes its present development to the foresight of the late Grant B. Schley, whose family control the company by their majority holdings. The writer prefers Howe Sound for a long pull at 4 to all other copper-silver investments selling under 10.

CANADA COPPER.—This company was favorably mentioned in the February 2 issue, and has the strongest of managements. Regardless of the up or down swings of the shares around 2, it has the earmarks of a constructive copper in a development stage, that is promising. When the time comes, the price will probably be adjusted upward to a better rating. It should begin production in about six months.

MASON VALLEY.—Like Magma, Mason Valley enjoys Colonel Thompson's sponsorship, and a strong board of directors whose names are associated with big things in mining. The principal mine at Mason, Nevada, and the smelter on the Southern Pacific Railway (16 miles from the mine) is being developed by people to whom mining is second nature. The stock around 2½ is at a liberal concession downward, and is destined for higher levels. Those who like a low-priced development copper of merit consider Mason Valley now.

MOTHER LODE OF ALASKA.—Kennecott interests, through the newly formed Mother Lode Coalition Company, appear to control this company, which owns a valuable property which adjoins the Kennecott "Jumbo" mine. "Jumbo" has made a name for itself in mining for its high-grade ores, and some people profess to believe that it is a "dying mine." The writer is not so sure of this. While Mother Lode of Alaska has made a liberal concession to the new interests for the support it will receive, investors who have the shares might remember that "some Kennecott people" are deeply interested. This is another stock to watch for a buying point when the coppers are again under accumulation.

(To be continued)

A ROMANCE OF THE WAR

Romances of the war are not confined to a great shipbuilding program, transportation of millions of troops overseas, or to the erection of enormous plants for munitions. One of these is a constantly growing pottery works at Golden, Colorado.

Little was it thought when a potter experimented with local clay in Golden as a basis for art pottery that an industry might result that would play a part in a great war. As there was no local demand for this art pottery, fireproof baking and cooking ware was developed. Then came the sudden shortage of chemical porcelain and the need of replacing with home products of the standard German chemical ware.

The experimenting potter had left the plant but three brothers, college graduates, and all well trained chemists took up the problem of developing those natural resources. They faced endless experiments on body materials, glazes, etc., and also had to design and construct practically all of the machinery and equipment needed.

Not stopping with the solution of one problem the research department is constantly at work and, on request of the Government, is developing long-life electrolytic porous cells, melting pots for optical glass, and experimenting on the production of the porcelain part of spark plugs to stand severe tests.

This is but one of many such industries which have done pioneer work and produced results which make us independent of German industries.

—American Chemical Society.

Prospects for Submarine Boat

If U.S. Continues Shipbuilding Program The Coming Two Years Should Mean Better Things—Attempt to Oust President Carse

By RALPH O. LEE

ELECTRIC BOAT! How well we all remember the excitement this name created in the financial community when it was sky-rocketing in 1915 and when it sold above $600 per share.

Submarine Boat! How well we also remember the anti-climax of watching the same proposition under its new title toboganning ever since 1915.

A Sensational Record

On account of the tremendous advance in its stock early in the Great War, few companies are better known by name, at least among the general public, than the Electric Boat and the Submarine Corporation. As most people know the Electric Boat Corporation, the builder of the Holland type of submarine boat, was practically on the verge of bankruptcy at the outbreak of the war. The prominent part taken by submarines gave it a new lease of life, which either poor management or some other factor unknown appears to have pretty much offset. The company not only secured substantial contracts for submarines from the Allies, but it also built a big fleet of submarine chasers. Its Russian contracts were disappointing, although later the boats built were sold to other nations.

After the stock had advanced from practically nothing to around $600 per share, the Submarine Boat Corporation was organized. Both preferred and common stockholders were offered 10 shares of the stock of the new company for one of the old. Most of them accepted the exchange. The last report shows that of the 76,721 shares of Electric Boat stock, 76,581 shares had been exchanged. As a result, of the authorized 800,000 shares of no par value of the Submarine Boat Corporation, 765,810 shares were outstanding.

It is interesting to note the shrewd move made by the people who purchased the interests of the late Isaac Rice, and obtained control of the Old Electric Boat Co. When they organized the Submarine Boat Corporation, they placed the stock in a voting trust to be retained for five years, from August 9, 1915, which trust could be terminated at any time only by the unanimous consent of the trustees. Naturally they appointed a majority of their own trustees. In other words, they placed themselves in a position where they could sell their stock at high prices and still retain control of the company. Thus they were in a position first to know of any turn, either for the best or for the worst.

The Electric Boat Co. had been organized in 1899, and owned all of the stock of a number of subsidiary companies, including the Holland Torpedo Boat Co. and the Electric Launch Co. It also owned the majority of the stock of the New London Ship & Engine Co.

As originally organized in 1915, the Submarine Boat Corporation was principally a holding company, holding most of the stock of the Electric Boat Co. Therefore it was dependent entirely for its existence on the manufacture of submarine and power boats and marine engines. If its existence was entirely dependent upon this business today, its prospect would seem to be indeed mighty poor, but such is not the case. Its best prospect now appears to be tied up with the ship-building program of the United States Government.

Late in 1917 the Submarine Boat Corporation itself secured a contract from the Emergency Fleet Corporation, for the construction of 50 steel vessels of 5,000 tons deadweight carrying capacity. About two months later, towards the end of 1917, the company secured another con-

tract for the construction of 100 more vessels of 5,000 tons each. As a result of this, the Submarine Boat Corporation created its own organization and started a very ambitious shipbuilding program.

Many Delays

It began immediate construction of a shipbuilding plant on Newark Bay. Beginning on an entirely new project as it did, it was not unnatural that there should have been many delays and that progress should have been slower than was originally expected. But just as things were proceeding in a more efficient manner, and operations were speeded up, it appears that trouble has arisen over the failure of the steam turbines delivered to the company to pass the Government inspector's test. It is believed, however, that this situation will be corrected, and it is estimated that the company in 1918 will have turned out about 25 vessels, aggregating 125,000 tons.

This is only a small part of the program on which it set out. If the Government is to pursue the same policy with regard to its shipbuilding program, as appears will be followed, with regard to contracts for munitions and the like, then the outlook for the Submarine Boat Corporation would be dark indeed. But, as a matter of fact, the United States Shipping Board, in its second annual report, recommended to Congress that the present merchant marine construction program be carried on to its completion. If this is done then the Submarine Boat, with a plant already constructed and in good working order, may be said to be on a more or less permanent basis.

B. L. Worden, general manager of the company, stated only recently that the Submarine Boat Co. was here to stay; that the company now has openings for from 4,000 to 5,000 men, and that the latter can be put to work at the rate of about 300 a week. He further stated

***ASSETS AND WORKING CAPITAL DEC. 31**

	1915	1916	1917
Patents, Goodwill, etc.	$7,332,300	$7,339,100	$8,031,800
R. R. Plant & Equipment	962,700	827,600	
Investments	4,013,300	3,521,200	1,186,500
Current Assets	6,383,600	7,649,300	8,577,100
Current Liabilities	7,060,300	5,334,600	4,899,200
Net Quick Assets	**676,600	2,314,600	3,677,900

* Electric Boat Co. and subsidiaries not including New London Ship & Engine Co.
** Current liabilities were greater than current assets.

****CONSOLIDATED INCOME ACCOUNT DEC. 31**

	1915	1916	1917
Income from Construction and Sales	*	$26,000,000	$23,873,900
Cost of Construction and Sales	*	*	20,709,300
Expenses and Taxes	*	*	793,900
Operating Income	$5,622,800	$ 7,012,000	$ 2,370,500
Other Income		....	241,400
Total Income	$5,622,800	$ 7,012,000	$ 2,612,012
Depreciation, etc.	457,100	532,600	531,900
Net Income	$5,165,700	$ 6,479,400	$ 2,080,000
Dividends	1,764,100	4,603,200	1,380,900
Surplus	$3,401,500	$ 1,876,100	$ 699,000
Earned on Stock Sub. Boat	$6.73	$8.52	$2.71
Dividend Paid per Share	....	6.00	3.00

* Figures not reported.
** Consolidated Income Account of Electric Boat Co. and its subsidiaries, New London Ship & Engine Co. not included.

that with 13,000 men the company is unable to reach its desired output of ten ships a month. The company, it is understood, is not contemplating any curtailment of its shipbuilding program, but rather it is preparing to build larger ships, as it is believed the Shipping Board hereafter will order ships of a large tonnage. At the outbreak of the war haste and small units, because of the submarine warfare, was very desirable. Now that the war is ended, however, large tonnage is desirable, as it can be operated more economically.

Business on Hand

No figures are available as to just what the unfinished business is at the present time. A short time ago, however, it was said that the company with its subsidiary, the Electric Boat Co., had unfinished business on hand totaling some $180,000,000. The Submarine Boat Co. itself was working on orders from the Emergency Fleet Corporation totaling about $145,000,000. The unfinished orders probably totaled about $130,000,000. The Electric Boat Co. orders were practically all with the United States Navy. On October 1 last the Electric Boat Co. had business totaling about $28,000,000, most of which had been taken on a cost and percentage basis. Since that time it has secured orders from the Navy Department for the construction of additional submarine boats, which it is estimated would cost about $24,000,000. Completion of these, of course, will depend on the policy pursued by the Navy Department. The Submarine end of the business, as we stated, is one upon which stockholders should not depend to too great an extent.

The contracts of the Submarine Boat Corporation for the cargo vessels have been changed to some extent, since they were first given out in 1917. But as to just what may be expected from these contracts, and the profits to be derived, it is impossible to get much of an idea until the management sees fit to take the stockholders of the company and the public more into their confidence than they have in the past. It seems to be a fact, however, that people who in the past have known most about the Submarine Boat Corporation feel that the future is not as dark as so many people predict. The management appear to be making preparations to continue their program in 1919, and, of course, with the great need for ships, it would seem obvious that their plant at Newark Bay is a valuable asset. It comes down to a basis, apparently therefore, of whether it will be in a financial position such that it can continue this program.

Financial Position

The company should be in a good financial position. While the Submarine Boat Corporation publishes its own income statement and its balance sheet, they are of little value in estimating its worth, because of the fact that up to the time of the last financial statement the company's only asset was the stock of the Submarine Boat Corporation. We must go to the income statement and the consolidated balance sheet of the Electric Boat Corporation and its subsidiaries to get a true index of actual financial condition of the Submarine Boat Corporation.

SUBMARINE BOAT PRICE RANGE

	High	Low
1915	57	34⅞
1916	45½	24
1917	35	10½
1918	20¼	11

As the income statement shows, the company never earned as much as the tremendous advance in the stock in 1915 indicated might be probable. Its best year was 1916, when it earned the equivalent of $8.52 per share on Submarine Boat Corporation stock. In 1917 its earnings were only $2.71 per share. In the three years ended Dec. 31, 1917, the aggregate earnings of the Electric Boat Co. and subsidiaries were equivalent to $17.96. Out of this it paid dividends of $9, or about half of the earnings. On the basis of dividends, therefore, the management was entirely conservative, and, as a matter of fact, on such a basis it is not to be criticised for suspending dividends when it did. There is absolutely no way of finding out what its earnings for 1918 have been.

I have not given the balance sheet of

the Electric Boat Co. and its subsidiaries, but have taken certain figures from the balance sheet. As this table shows, the value of the real estate, plant and equipment of the company and its subsidiaries was not very large. And the situation was made more complicated by the failure of the company in 1917 to publish the patents, good will, etc., and real estate, plant and equipment in separate items, as it had in the previous two years. As this table shows, however, the company has kept itself in a very liquid condition, and was in good financial shape on Dec. 31, 1917. Current assets have shown a substantial increase, while current liabilities had substantially decreased. From being in a position where current liabilities exceeded current assets by $676,600 at the end of 1915, the company at the end of 1917 showed an excess of $3,677,900 in current assets over current liabilities. These net quick assets of $3,377,900 were equivalent to $4.79 per share of Submarine Boat Corporation stock.

Present Value of Stock

The actual tangible assets back of the stock, at the end of 1916, probably were not in excess of $7 per share. Since that time, however, the company has constructed its big plant at the Port Newark Terminal, and, while it has used Government money largely in doing this, nevertheless it is obvious to anyone that it must have added substantial equities to the stock. In all probability if a correct appraisal could be made today, it would be found that the actual tangible assets back of Submarine Boat Corporation stock are pretty well equal to at least the present market value of the stock.

Only recently Elihu B. Fox, a former vice-president of the company, and a member of the voting trust for Electric Boat Co. stock, filed suit against Henry R. Carse, president of the company, and the court was asked to remove Mr. Carse from his duties as a trustee under the voting trust agreement. The bill of complaint alleged among other things, that the conduct of President Carse had greatly injured the business interests of the Electric Boat Co. and that his acts were a violation of the duties and trust imposed upon him by and set forth in the voting trust agreement. What the outcome of this suit will be, of course, no one can say. Certainly it can do the company no harm, and ought to do it good. If President Carse remains the management will probably be more careful.

From all indications, therefore, it would seem as though Submarine Boat Corporation stock has pretty well discounted any adverse effects that the closing of the war may have upon its submarine business. Its present price does not take cognizance of its increased value through construction of the Port Newark Terminal plant, and it would seem that with the United States Shipping Board in favor of continuing the shipbuilding program, there ought to be further possibilities in its shipbuilding department.

It is only fair to state, of course, that this is an entirely new venture for the Submarine Boat Corporation management, and, therefore, it must be considered in the light of an untried enterprise. Nevertheless, in spite of all adverse factors, it has made some progress, and from recent reports its shipbuilding program for 1919 promises good results.

Cotton and Reconstruction

The Recent Drastic Decline—Needs of the World—Reconstruction—Labor and Shipping—The Farmer—An Optimistic Outlook

By ROBERT H. HOLMES

THE effects of war having been to advance the price of cotton to unprecedently high figures, the advent of peace, in the minds of many, meant lower values, and whereas this may be true in the long run, it could not logically be effected over night. Speculative longs, however, became frightened and threw over their contracts, and as the decline proceeded stop orders were reached in quantity. No market that has consistently advanced for two or three years can be liquidated without severe loss. This has taken place, and the technical situation I now believe is sound.

I have faith in an open market and a world's market, and I do not believe in restricting it functions. I believe the elimination of short sales to have been an error, and that its effect has been rather against than in favor of values. This liquidation was of primary necessity, and the absence of shorts in the market left gaps prevailing. When selling orders of a permitted character reached the ring, those given to straddling, anticipated, and in a measure would under sell the offered month, which, in turn, forced the selling of the market order without regard. It also permitted the straddler to secure his open end at materially lower prices; and there being no speculative demand whatever, the lower levels reached under such pressure were consistently maintained. Had shorts been in the market such a situation could not have prevailed. In the absence of bullish speculation the market could have no better friend than the short seller at huge discounts under the value of spot cotton.

That which made matters all the worse was the cancellation on the part of the Government, of war contracts with the mills, also cancellation on the part of foreign countries which followed strictly in its wake. These disturbing features weighed heavily upon American Manufacturers, and with unusual haste they promptly proceeded to hedge both as against cotton in their warehouse and the manufactured product as well. I do not hesitate to say that this feature will shortly prove a monument of strength for these hedges must be repurchased in the open market upon the resumption of trade.

Needs of the World

It is both tiresome and unnecessary to deal in figures. Taken in a broad sense the world's needs of cotton exceeds the available supply. Stocks of raw cotton abroad in England, France, Italy and in the neutral countries, are at the lowest ebb ever known. It is absolutely essential that immediate replenishment be made before the mills can resume activity in volume—that every effort will be made to establish such resumption goes without saying. The capabilities of war will speedily be transformed into the capabilities of peace, and I look for a demand from abroad very, very soon. In fact it is now in process of development in volume.

It is necessary that cotton be bought before it can be shipped, and though the shipment may be deferred for the immediate future, effort is at present being made to purchase in anticipation of such movement. To an increased demand I confidently look forward, and as to its volume I feel assured it will be measured only by the necessity in hand.

Judging from the experience in America, where the mills of the country have been under at least 60% output for the Government since the United States entered the war, I estimate that in England and in France the mills of these countries have been probably not under 60 or even a greater per cent. for Government usages since those countries entered the war. This means that the products of

peace have been abnormally curtailed for years; that not the shelves alone are empty, but that the backs of the people, as well, are bare, and that cotton being the cheapest known fibre must necessarily be in great demand. Added to this it must not be forgotten, however, that the great demands of the war have been utterly destroyed.

The World's Reconstruction

Reconstruction tends towards prosperity; it means huge consumption of all raw material; it means demand, and demand furnishes labor with occupation. True, war has wrought destruction, and there has been great loss, but the majority, on the whole, has been benefited. The capitalistic class of the world had amassed great fortunes, while the people had gradually become impoverished. War has altered these conditions. War, by taxation, has taken from the rich, expended the moneys, and scattered it amongst the poor. This means vast buying power from the people. A hundred thousand dollars in the possession of one man does not mean that he will buy any more shirts and sheets than one man needs, but a hundred thousand dollars in the hands of one thousand men gives to the thousand their shirts and sheets.

Much money has been spent in France by the English and by the Americans. Reports show France sound financially. The same can be said of England's colonies, and certainly we in America have not unduly suffered. We profited largely because of the war before entering the war, and Japan in the Far East has profited proportionately more.

I admit there is a period of uncertainty which we are now passing through, and I think that the passage will be swift. With the new year I look for the resumption of business on a scale not hitherto known. No evidence can be found that justifies pessimism, and, as an illustration in point, it may be stated that the Sears Roebuck Company's sales for November this year exceeded those of last by $4,256,265.00. The City Bank also, in a recent statement, finds, "The business outlook good, trade demands growing, and looks for an era of unprecedented prosperity."

Labor and Shipping

With regard to labor, I think that the high wages now prevailing may be expected to continue for some time; that every effort will be made on the part of organized labor to effect their continuance, and with high wages high commodities must of necessity go hand in hand. In time we expect a gradual resumption to normal conditions, but *just as it took three or four years to reach the apex of the advance, it will take, in my judgment, three or four years to the return to the normal.*

What more particularly controls in cotton to-day is the export situation. It is a matter of ships. If the congestion at the ports can be relieved by available tonnage there will immediately be a big demand for cotton, and investigation shows that the situation is materially better than the world believes. Advices from England state that the tonnage of the world is equal to, or greater, than the tonnage prevailing when war was declared. I find, also, that from the Great Lakes alone, in the past fifteen months, the Atlantic tonnage has been increased by a matter of some 600,000 tons. We have Mr. Schwab's word to the effect that there will be no let-up in the output of shipping; that it has attained in America now 500,000 tons a month, and that this, at least, will be maintained. All in all, shipping should very soon be available, for as we bring our men home, we will have fewer to feed and clothe overseas, and the bottoms that bring the boys, can, in turn, take back to Europe the raw materials, including cotton, which seems to be so urgently in demand.

The Farmer

On the side of equity I wish to say a word in behalf of the farmer. Having produced a short crop at great cost, and knowing that the world needs his product, the farmer is naturally disposed to hold for better values. He is not pressed by the banks as the banks have plenty of money; and more important still most of the cotton is not carried at the present time through the banks, it is carried on the farm, as evidence by the into sight figures. It is the property of the farmer, and though admittedly in any crop the

first five or six million bales must be sold, the remainder is not distressed in any manner, and will be disposed of only at the pleasure of its owner.

The farmer knows that he did not receive an equitable return for his product during the high prices recently prevailing for the manufactured article. He knows that the spinner has been in a position to have paid 40 cents or more for cotton, and to have then been able to make a handsome profit, and though the price of the finished article may, and probably will sharply decline, there is still a margin that would permit of his securing higher prices for the balance of his crop.

Conclusion

It has been noted that the recent drastic decline has been due to technical and artificial conditions rather than to conditions governed by supply and demand. The needs of the world are and will be greater than the average man realizes. Reconstruction activity is close at hand and the present period of uncertainty will pass swiftly into a period of business activity on a scale hitherto unknown. Labor and shipping problems are not so complex as the pessimists would have us believe and are becoming bettered each day. The farmer is in good shape as to his finances and even though the price of the finished article may sharply decline, he has plenty of margin for profit.

Commercially the world has been loafing. Its vigor is undiminished and it is now prepared to take off its coat, roll up its sleeves and go to work thereby showing the pessimists that they have no room for active existence.

WHAT THE WAR COST

Now that the war against Germany is fully over, to all appearances, the question of cost in conducting it looms as the most immediate problem of the present situation, writes the *Journal of Commerce*. This is because much of the war cost has been incurred in the form of debt—largely undigested—and must be provided for in some way. Much of it cannot be stated in figures at all. Of course elements in the cost which can be approximately estimated the following are the chief:

1. Public indebtedness of belligerents and those allied with them.

2. Increased taxes collected and paid by peoples of the world.

DEBT SITUATION OF ALLIED POWERS (figures in millions)

	Before entering war		At most recent date		Increase
	Date	Amount	Date	Amount	
Great Britain	Aug. 1, 1914	$3,458	Aug. 31, 1918	$25,080	$21,622
France	July 31, 1914	6,598	Dec. 31, 1917	22,227	15,629
Italy	June 30, 1914	2,792	Dec. 31, 1917	6,676	3,884
Russia	Jan. 1, 1914	5,092	Sept. 1, 1917	25,383	20,291
United States	Mar. 31, 1917	1,208	May 31, 1918	11,760	10,552
Total		$19,148		$91,126	$71,978
CENTRAL POWERS					
Germany	Oct. 1, 1913	$1,165	Dec. —, 1917	$25,382	$24,217
Austria	July 1, 1914	2,640	Dec. —, 1917	13,314	10,674
Hungary	July 1, 1913	1,345	Dec. —, 1917	5,704	4,359
Total		$5,150		$44,400	$39,250
Grand total		$24,298		$135,526	$111,228

That there are points at which this debt will be in grave danger of repudiation is already recognized, the most obvious point being found in the obligations of the Central Powers.

The cost of the war, however, goes far beyond the showing of public debt.

3. Loss of productive power due to death or crippling of able-bodied men.

4. Retardation of internal development due to shifting or destruction of buildings, ships, capital and the like.

5. Changes in foreign trade and loss of profits and markets in that field.

Prominent Wall Street Men I Have Known

Some of Their Peculiarities—Their Sayings and Epigrams

By J. ARTHUR JOSEPH

The writer of the following article, Mr. J. Arthur Joseph, is one of Wall Street's landmarks. For thirty-eight years he has watched the tides ebb and flow in the financial district and there were few of the "old-timers" who did not have at least a nodding acquaintance with "J. Arthur." Observant, of nimble wit and with a facility of expression, his reputation as a teller of amusing stories has spread beyond that little "village" known as Wall Street. THE MAGAZINE OF WALL STREET asked Mr. Joseph to jot down his personal recollections of some of the interesting characters who are known, by name at least, to most of the readers of this publication.—Editor.

(*Continued*)

THE late Henry H. Rogers was unfortunate in one respect; his mail frequently went to H. H. Rogers, a Wall Street broker. One letter, of a particularly confidential character, was received by the last mentioned instead of going to the Standard Oil magnate. However, the namesake sent the missive under separate cover, explained why he had opened it, and concluded: "Confidence begets confidence—I am forwarding the note, which you doubtless will find of great importance, by special messenger, and as a return favor I would like you, my dear Mr. Henry H. Rogers, to tell me when it is a good time to buy Amalgamated Copper." Mr. Henry H. Rogers answered a few hours later: "In reply to your request as to the best time to buy Amalgamated Copper, I would say, *confidentially,* between 10 and 3 on ordinary business days, and 10 and 12 on Saturday."

* * *

"Fred" D. Underwood of the Erie was walking through Exchange Place one day with W. H. Truesdale of the Delaware, Lackawanna & Western, when the latter stopped for a moment to speak to an old Auntie. She looked the double of Aunt Jemima, of Pancake Flour fame. When Truesdale rejoined Underwood, the President of the Erie said: "So that was Phoebe Snow, eh, that you were talking to?" Quick as a flash Truesdale remarked, "You are right, Fred, only this time Phoebe came in over the Erie."

* * *

I know, probably, a hundred anecdotes, original sayings, of the late Isidore Wormser. Many of them stand luminously out. Fifteen years ago, when he was supposed to be running the pool in Metropolitan Street Railway, in which the Elkins-Widener crowd of Philadelphia was heavily interested, and which was being sold to a standstill by Thomas Fortune Ryan, a gentleman of Hebraic extraction went into Wormser's office, where he met Isidore, who advised him to buy 500 shares of "Met," telling him that $5,000 would be ample margin. The same day Louis V. Bell, an active trader, who was in Saratoga, began to raid Metropolitan Street Railway, and the stock was sold down abruptly from 162 to 155. The gentleman who had bought it a few hours previously was called upon by Isidore Wormser to put up more margin, and he replied: "You said this morning that $5,000 would be alone sufficient to carry the stock."

"Well, can I help dat," said Wormser, "If does tamn pears sell the stock? If you cannot put up any more money, at least give me an order to sell oudt, and come in tomorrow and I'll give you a check." When the customer returned the following day, Mr. Wormser handed him a check for the difference, of $158, and the loser, after looking at the amount, said, "What is this, a dividend?" "A dividend be tamn'd," responded Wormser. "Id's what you get back from your margin." Very disgruntled, and correspondingly cynical, the customer turned to the banker, and pointing to the word "Customers" painted on the front door, said, "Why do you not take out that

word 'Customers' and put up the word 'Suckers'"—adding, "at least people would know where they stand."

* * *

"Sam" Lavanburg was the great malaprop of Wall Street. Not even by accident did he ever get a word correctly. The night that the Board of Governors of the New York Stock Exchange suspended Henry G. Weil for one year, for repeating reports (that were absolutely true, however, although they had a tendency to create sensation) Mr. Lavanburg appeared at the old Windsor Hotel, and I asked him what he thought of the decision of the Board. And Sam, looking me squarely in the face, said: "Well, Joseph, there were twenty-eight Governors present. It was a *magnanimous* decision."

* * *

The Milk Trust is said to be making fabolous amounts of money. What many people do not know is this absolute fact: Some eighteen years ago the late Maurice S. Wormser of Reading debacle fame, who was trading at the time heavily with Wasserman Bros., concluded that there would be a big field "with millions in it" in cornering milk. He started to get options on the product from the various farmers throughout the State of New York, and he all but succeeded. The thing was done very quietly, and just as the moment seemed opportune to launch a trust that the people would take kindly to, the milk of kindness was spilled because of a panic in the securities markets hereabouts. Maurice Wormser (who died nine years ago) never gave up the idea, and even in his latest campaigns in Wall Street, he always insisted that there was a big field in the direction that he located, but which, owing to circumstances, he was not able to develop. Without reflecting upon his ambitions, let me add—"gall"-stones killed him.

* * *

Franklin B. Gowan, the Ex-President of the Philadelphia & Reading Co., committed suicide. He shot himself while in his office in Liberty Street. He was immensely rich in coal lands, but very poor in cash. He conceived the idea of amalgamating the bituminous and anthracite coal fields, a scheme that susequently developed by A. A. McLeod, and later on put over through the instrumentality of the late Russell Sage. Franklin B. Gowan was a very shrewd man. He had studied law; he was tall, very gaunt, and exceedingly tactiturn—qualities that did not particularly endear him to the men of his day. He was, however, a very great thinker and possessed many of the characteristics that made Russell Sage immensely rich. Russell Sage, however, knew the value of ready cash. He hoarded money, whereas Gowan simply branched out in other directions, obtaining rights of way and buying largely of options upon properties which, owing to the exigencies of circumstances, he was unable to take up. Overburdened with taxes, and being short of the sinews of war, and having great liabilities to meet and few liquid assets, he concluded that the shortest cut to Heaven, or elsewhere, was by the route of pistol and bullet.

* * *

J. B. Houston was the President of the Pacific Mail Steamship Co. He supplanted George J. Gould, but only for a short time. Jay Gould never forgave "Buck" Houston for his "egotistical temerity," as he called it. After the Cyrus W. Field panic in 1888, Gould bought heavily of Pacific Mail. In fact, he had control, and he sent for Houston and he said: "I want you, at 1:45 today (it is now 12 o'clock) to hand in your resignation as President of the Pacific Mail, and to accept the Secretaryship of the company. I intend to put my son, George J. Gould, back as the executive officer. If you fail to let me have your resignation inside of sixty minutes, I shall proceed immediately to throw thousands upon thousands of shares of Pacific Mail upon the market, and you will be a ruined man. You have less than an hour to decide." Within thirty minutes the resignation was handed to Jay Gould, and that afternoon a special meeting was called, at which George J. Gould was reinstated, and Mr. J. B. Houston was elected Secretary, to take his place at the foot of the Board of Directors.

When S. V. White, popularly called the "Deacon" (because he had been connected with Plymouth Church in the Henry Ward Beecher days) was running the pool in Delaware, Lackawanna & Western, he struck a snag, and going into W. T. Pearsall's office in the Mills Building one Saturday morning he complained to Tom Pearsall and to J. B. Houston, the partner, "I don't know what I am up against in Lackawanna—somebody is feeding it out, and I feel just like a mouse in a trap. I don't want the cheese —all I want is to get out of the trap and let some other mouse come in and get away with the cheese." However, he held on, and he saw Lackawanna advance from $85 a share to $125 a share—a price that he predicted would be reached. He then sold out and bought Pacific Mail, which dropped from $50 to below $10 a share, causing him to become a bankrupt. He later on recovered, paid off dollar for dollar, with 6% interest, only to go under again. A second time he settled with his creditors on identically the same basis of his first misfortune, but in later years he was but a small trader, dealing largely through the firm of his son-in-law, Frank Hopkins, who retired from the Street, a couple of years ago, with more money than he ever dreamt that he could ever possess.

* * *

One of the most successful pools ever engineered in Wall Street was undertaken by Nathan J. Miller, of Miller & Co., whose offices in the Equitable Building are the most sumptuous of the downtown brokers' "palaces." In 1913—a scant five years ago—General Motors was selling away down in the 30's, and nobody would touch the stock. When the world was coming to the war in 1914 it was offered in New Street at 50. In 1915 it sold at 98, and then jumped to within fractions of 200, after which it went to approximately $800 a share. The stock in the meantime paid dividends of 50%, besides receiving other valuable rights. Mr. Miller knew where all the holdings were lodged, and he saw to it, before undertaking any pooling arrangement, that every share should be escrowed —not a man who held General Motors had an opportunity to sell, if he so desired. The result was that traders who took liberties with the issue had to step up to the Captain's office and settle as best they could. Never did an issue start under less favorable auspices, or wind up with greater acclamation than did General Motors.

* * *

In 1884—the month of May—the firm of Grant, Ward & Co. failed. The day previously, a Monday, the Marine Bank closed its doors. We faced a panic, the like of which had never previously been seen in such a short period, and the counterpart of which has never since taken place. I had just left the First National Bank, after having had a long talk with the late Vice-President, James A. Garland. On emerging from the building a coupé drew up, and the late General U. S. Grant got out. His left arm was supported by a crutch, and his right hand carried a cane. I knew the General, and saluted him. He asked me, "Is it true, Joseph, that my son has failed?" And I answered, "I am sorry to say the announcement has just been made by the Board." Dropping his cane, he leaned on my shoulder and asked me to help support him into the office. It was the first time that I ever saw the General "broken-up," as the saying is. His face was pinched, his body atremble; but he pulled himself together, and simply uttered four words, "Too, bad, too bad." A few weeks later the late William H. Vanderbilt gave General Grant a check for $50,000, which was considered a tidy sum in those days. But then Mr. Vanderbilt, while not a prince, did things in a princely fashion.

Rhetoric is the art of ruling the minds of men

—Plato

Unlisted Security Notes

These notes are a record of recent price-affecting FACTORS, and are not to be regarded as RECOMMENDATIONS to purchase or sell

AETNA EXPLOSIVES COMPANY

New Plan Accepted

Federal Judge Mayer's plan for bringing together the various contending interests in the Aetna Explosives Company was accepted by the committee representing the security holders. This plan is for the adjustment of the differences by retiring the bonds at 85, converting the preferred stock into bonds at 80, with 5% cash and 75% convertible into bonds. The holders of the preferred stock will also receive 15¾% in back dividends.

FIRESTONE TIRE & RUBBER CO.

Sales Increase in Banner Year

That the tire companies have enjoyed great prosperity, despite the handicaps of war restrictions, is evident from the returns for the year now being published.

Sales, for the year ended Oct. 31, 1918, as reported by the Firestone Tire & Rubber Company, totaled $75,801,500, a gain of $14,214,287, or 24 per cent over the corresponding period the previous year.

The consolidated general balance sheet of the parent company and its proprietary companies as of Oct. 31, 1918, shows a surplus of $30,023,267.

KEYSTONE TIRE & RUBBER

November Earnings

Net earnings of this company for November were $103,787, compared with $67,194 in the same month of 1917, an increase of $36,592.

LIMA LOCOMOTIVE

Output, 140 Locomotives

Output for the period July 1 to Dec. 7, both inclusive, was 140 locomotives. This includes miscellaneous domestic locomotives as well as locomotives that were exported.

PACKARD MOTOR CAR

Automobile Division Not Back to Normal —Truck Production

Company continues to devote the main facilities of the carriage division to Government work and that it would be some time before they could be turned over completely to the manufacture of automobiles. The company plans to turn out about 8,000 trucks in 1919.

SUBMARINE BOAT

Steam Turbines Fail to Pass Tests

Although the Submarine Boat Corporation is not faced with cancellation of contracts, a serious situation has arisen by reason of the failure of the steam turbines, delivered to the company at the Newark Bay plant, to pass the Government tests. One of the large electrical companies supplying 1,500 horse-power steam turbines for the 150 vessels to be constructed for the Shipping board, has failed to turn out a turbine satisfactory to the Government inspectors, with the result that the entire Newark Bay project, where 12,000 persons are employed, is held up. A satisfactory solution of the problem is expected in the near future.

Far from contemplating any curtailment of its shipbuilding activities, Submarine Boat is preparing to build larger ships, as it will be the policy of the Shipping Board henceforth to order ships of large tonnage which can be operated most economically.

For the year 1918 Submarine Boat will have launched 25 vessels, aggregating 125,000 tons.

The company has orders for boats of the S-type alone numbering 40, of an aggregate value of about $50,000,000.

The 1918 year was one of preparation for output in 1919, and unless unforeseen difficulties arise the company should reap substantial profits in the latter year.

WRIGHT MARTIN AIRCRAFT

Plans For the Future

What will be the outcome of the Wright-Martin muddle is yet to be determined. A meeting of the directors to formulate a policy as to the future activities of the company is expected to be forthcoming in the near future. Whether the company will continue in the airplane business is contingent upon the attitude the government will take toward giving the company a guarantee for a specified number of airplane motors annually. If no guarantee is forthcoming it is expected that there will be a reorganization and the plants of the company will be devoted entirely to the manufacture of automobiles.

The manufacture of the Hispano-Suiza, on which the Wright-Martin company has the exclusive rights, is being continued on a small scale but it is believed that the output of these motors can be considerably increased without much effort.

It is rumored that the retirement of the preferred stock is planned.

Unlisted Securities Guide

The Status of Active Curb Stocks

3—Oils

About two hundred oil issues are traded in on the New York Curb. Less than ten of the "independent oils" are deserving of investment consideration (Standard Oil group of investment oils is not included). The majority are prospects, promotions, or enterprises of extremely uncertain value, and great care must be exercised in buying or holding them. We classify issues in order of merit, those of highest rating being in class "A," second rating in class "B," etc. There may be some necessity to change these ratings later. Current prices are a factor in determining ratings.

Name	Par	Capitalization	Outstg.	Dividends	How Paid	Recent Price	Sponsors	Rating, (based on current price)	Brief Opinions
Anglo-Amer. Oil	£1	£2,000,000	£2,000,000	$1.25	SA	$19	Standard Oil	A	Leading British Petroleum Distributor.
Boston Wyoming Oil	1	$6,000,000	$3,766,757	..	..	18c	B. J. Barron—O. L. Dines	D	Capitalization too hopeful.
Carib Syndicate	25	$100,000	$56,500	..	..	$750	N. W. Ross	C	Too unseasoned to give opinion.
Crown Oil	1	$3,000,000	$1,130,000	..	..	15c	W. P. Williams & Associates	D	Moderate production. Poor market.
Elk Basin Petroleum	5	$2,000,000	$2,000,000	$ .50	Q	$ 5 1/4	Midwest Refining	B	A growing concern.
Esmeralda Oil	1	$1,000,000	$700,000	..	..	05c	L. W. Farmer	F	Prospective stage.
Northwest Oil	1	$1,500,000	$1,385,250	..	..	50c	C. H. Pforzheimer	C	Prospective stage but promising.
Oklahoma Oil & Gas	1	$7,500,000	$7,500,000	..	..	01c	E. M. Hall	F	Capitalization too liberal.
Penn. Gasoline	1	$1,500,000	$1,500,000	$ .04	A	5/16	Chas. D. Warren	D	Poor market but has prospects.
Penn. Mex. Fuel	25	$10,000,000	$10,000,000	..	..	$62	South Penn. Oil Co.	A	Important producing subsidiary of South Penn. Co.
Penn. Pet. & Ref.	1	$1,000,000	$1,000,000	..	..	3/8	Unidentified	G	Promotion stage apparently.
Picardy Oil	1	$2,000,000	$1,750,000	..	..	15c	Unidentified	G	Promotion stage apparently.
Southern Oil & Transport	10	$20,000,000	$11,650,000	..	..	3	J. F. Wallace	C	Ambitious program. Very long pull.
Southwest Oil	1	$2,000,000	$2,000,000	..	..	3/4	Unidentified	G	Promotion stage apparently.
Washington Oil	10	$100,000	$100,000	$4.00	A	$45	Standard Oil	B	Conservative old Penn. fields producer.

IMPORTANT DIVIDEND ANNOUNCEMENTS

To Obtain a Dividend Directly from a Company the Stock Must Be Transferred Into the Owner's Name Before the Date of the Closing of the Company's Books

Ann. Rate	Name	Amount Declared		Paid to Holders as of	Payable
	A				
7%	Allis-Chalmers, p...	1¾%		Dec. 31	Jan. 15
....	Allis-Chalmers, p ext	¾%		Dec. 31	Jan. 15
6%	Amer Agr Chem, p.	1½%	Q	Dec. 23	Jan. 15
8%	Amer Agr Chem, c.	2 %	Q	Dec. 23	Jan. 15
$3	Amer Gas & Elect, p.	75c	Q	Jan. 18	Feb. 1
8%	Amer Beet Sugar, c.	2 %	Q	Jan. 11	Jan 31
7%	Amer Locomotive, p.	1¾%	Q	Jan. 2	Jan. 21
8%	Amer Tel & Tel....	2 %	Q	Dec. 20	Jan. 15
7%	Amer Woolen, p...	1¾%	Q	Dec. 16	Jan. 15
5%	Amer Woolen, c...	1¼%	Q	Dec. 16	Jan. 15
....	Amer Wool Co....xx	$5		Dec. 16	Feb. 1
$6	Anaconda Copper..	$1.50	Q	Jan. 18	Feb. 24
$1.42½	Anglo-Amer Oil..	71¼c	S	....	Jan. 15
2%	Armour & Co, c....	2 %	A	....	Jan. 15
5%	Associated Oil.....	1¼%	Q	Dec. 31	Jan. 15
$10	Atl, Gulf, W I S S, c	$5	S	Dec. 30	Feb. 1
	B				
....	Balt & Ohio, c.....	2 %		Dec. 28	Feb. 1
7%	Barrett Co, p......	1¾%	Q	Dec. 30	Jan. 15
8%	Bell Tel of Can....	2 %	Q	Dec. 31	Jan. 15
	C				
6%	Canada Cement, c..	1½%	Q	Dec. 31	Jan. 16
3%	Canada Southern ..	1½%	S	Dec. 31	Feb. 1
7%	Canada C & F, p....	1¾%	Q	Jan. 1	Jan. 10
$5	Central C & C, p...	$1.25	Q	Dec. 31	Jan. 15
$6	Central C & C, c...	$1.50	Q	Dec. 31	Jan. 15
8%	Central Fdy, 1st p..	2 %	Q	Dec. 31	Jan. 15
5%	Central Fdry, ord p.	1¼%	Q	Dec. 31	Jan. 15
6%	Cities Service, p...	½%	M	Jan. 15	Feb. 1
6%	Cities Service, c...	½%	M	Jan. 15	Feb. 1
....	Cities Service, c ext	e1 %		Jan. 15	Feb. 1
5%	C C C & St L, p.....	1¼%	Q	Dec. 30	Jan. 20
4%	Comput-Tab-Record.	1 %	Q	Dec. 24	Jan. 10
	D				
8%	Detroit Edison	2 %	Q	Dec. 31	Jan. 15
2%	Distillers Secur ...	½%	Q	Jan. 2	Jan. 18
....	Distillers Secur, ext	1½%		Jan. 2	Jan. 18
7%	Domin Textile, p...	1¾%	Q	Dec. 31	Jan. 15
6%	duPdeN&Co, deb stk	1½%	Q	Jan. 10	Jan. 25
	E				
10%	Eastern Steel, c...	2½%	Q	Dec. 2	Dec. 16
	G				
8%	General Electric ...	2 %	Q	Dec. 7	Jan. 15
....	General Elec, ext, x	2 %		Dec. 7	Jan. 15
....	Ga R & P, 1st p ext	m1 %		Jan. 10	Jan. 20
4%	Goodrich (B F), p.	1 %	Q	Feb. 5	Feb. 15
	I				
5%	Int Agric Corp, p..	1¼%	Q	Dec. 31	Jan. 15
	K				
4%	K C South Ry, p..	1 %	Q	Dec. 31	Jan. 15
7%	Kayser (Jul), 1st p.	2 %	Q	Jan. 20	Feb. 1
7%	Kayser (Jul), 2nd p	1¾%	Q	Jan. 20	Feb. 1
	M				
6%	MacAndrews & F, p	1½%	Q	Dec. 31	Jan. 15
10%	MacAndrews & F, c	2½%	Q	Dec. 31	Jan. 15
$4	Manufac Lt & Ht..	$1	Q	Dec. 31	Jan. 15
7%	Mass Gas, c.......	1¾%	Q	Jan. 15	Feb. 1
8%	Mexican Pet, c....	2 %	Q	Dec. 14	Jan. 2
10%	Mexican Tel	2½%	Q	Dec. 31	Jan. 16
	N				
7%	National Biscuit, c..	1¾%	Q	Dec. 30	Jan. 15
5%	Nat'l Cl & St, c....	1¼%	Q	Jan. 8	Jan. 15
5%	N Y Central.......	1¼%	Q	Jan. 3	Feb. 1
5%	N Y Dock, p.......	2½%	S	Jan. 4	Jan. 15
$16	N Y Transit........	$4		Dec. 21	Jan. 15
$1	Nipissing Mines ...	25c	Q	Dec. 31	Jan. 20
....	Nipissing Mines, ext	25c	Q	Dec. 31	Jan. 20
$4	Northern Central...	$2	S	Dec. 31	Jan. 15
	O				
$2.50	Ohio Fuel Sup.....	62½c	Q	Dec. 31	Jan. 15
....	Ohio Fuel Sup, ext.xx	2 %		Dec. 31	Jan. 15
$2	Ontario Silver Min..	50c	Q	Dec. 20	Jan. 4
6%	Otis Elevator, p....	1½%	Q	Dec. 31	Jan. 15
5%	Otis Elevator, c....	1¼%	Q	Dec. 31	Jan. 15
	P				
$5	Pan Am Pet & Tr, c	r$1.25	Q	Dec. 31	Jan. 10
6%	Penmans, Ltd, p....	1½%	Q	Jan. 21	Feb. 1
6%	Penmans, Ltd, c....	1½%	Q	Feb. 5	Feb. 15
6%	Pittsb Coal (Pa), p.	1½%	Q	Jan. 10	Jan. 25
$5	Pittsb Coal (Pa), c	$1.25	Q	Jan. 10	Jan. 25
7%	Pitt, Ft. W & Chi, gtd	1¾%	Q	Dec. 10	Jan. 7
$12	Prairie Oil & Gas...	$3	Q	Dec. 31	Jan. 31
....	Prairie Oil & Gas, ext	$5		Dec. 31	Jan. 31
12%	Prairie Pipe Line..	3 %	Q	Dec. 31	Jan. 31
8%	Procter & Gamble, p	2 %	Q	Dec. 24	Jan. 15
	Q				
6%	Quaker Oats, p.....	1½%	Q	Feb. 1	Feb. 28
12%	Quaker Oats, c	3 %	Q	Dec. 31	Jan. 15
....	Quaker Oats, c ext.	1 %		Dec. 31	Jan. 15
	R				
$2	Reading, 2nd p....	50c	Q	Dec. 26	Jan. 9
....	Rutland R R, p....	1 %		Jan. 11	Jan. 13
	S				
....	St. Marys Min Land	$2		Dec. 20	Jan. 15
$2	Shattuck-Arizona ..	50c	Q	Dec. 31	Jan. 20
7%	Shawinigan Water P	1¾%	Q	Dec. 27	Jan. 10
	T				
....	Tob Prod, c, ext, e..	10 %		Jan 2	Jan. 15
	U				
8%	United Fruit.......	2 %	Q	Dec. 20	Jan. 15
$4	United Gas Imp....	$1	Q	Dec. 31	Jan. 15
6%	United Paperboard, p	1½%	Q	Jan. 1	Jan. 15
$1.50	United Shoe Mach, p	37½c	Q	Dec. 17	Jan. 4
$2	United Shoe Mach, c	50c	Q	Dec. 17	Jan. 4
7%	U S Ind Alch, p...	1¾%	Q	Dec. 31	Jan. 15
	V				
8%	Va Caro Chem, p..	2 %	Q	Dec. 31	Jan. 15
	W				
7%	West Union Tel...	1¾%	Q	Dec. 20	Jan. 15

ext—Extra dividend.
e—Paid in common stock.
m—On account of accumulated dividends.
n—Payable half in cash and half in Liberty Bonds.
x—Paid in stock.
xx—Payable in Liberty Bonds.